



COUNCIL CHAMBERS

17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

REDEVELOPMENT AGENCY

Dennis Kennedy, Chairperson
Mark Grzan, Vice-Chairperson
Larry Carr, Agency Member
Greg Sellers, Agency Member
Steve Tate, Agency Member

COUNCIL MEMBERS

Dennis Kennedy, Mayor
Mark Grzan, Mayor Pro Tempore
Larry Carr, Council Member
Greg Sellers, Council Member
Steve Tate, Council Member

WEDNESDAY, MAY 24, 2006

AGENDA

JOINT MEETING

CITY COUNCIL REGULAR MEETING

and

REDEVELOPMENT AGENCY REGULAR MEETING

7:00 P.M.

CALL TO ORDER

(Mayor/Chairperson Kennedy)

ROLL CALL ATTENDANCE

(City Clerk/Agency Secretary Torrez)

DECLARATION OF POSTING OF AGENDA

Per Government Code 54954.2

(City Clerk/Agency Secretary Torrez)

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

RECOGNITIONS

Downtown Flower Volunteers
Margaret Johnston and Downtown Flower Volunteers

PROCLAMATIONS

National Police Week
Police Chief Cumming

Dispatcher of the Year
Jamie Pereira

PRESENTATIONS

Electronic Voting Machine
Registrar of Voters Volunteer Robert "Pi" Silverstein

CITY COUNCIL REPORT

Council Member Sellers

CITY COUNCIL COMMITTEE REPORTS

CITY MANAGER'S REPORT

CITY ATTORNEY'S REPORT

OTHER REPORTS

PUBLIC COMMENT

NOW IS THE TIME FOR COMMENTS FROM THE PUBLIC REGARDING ITEMS NOT ON THIS AGENDA.

(See notice attached to the end of this agenda.)

**PUBLIC COMMENTS ON ITEMS APPEARING ON THIS AGENDA WILL BE TAKEN AT THE TIME
THE ITEM IS ADDRESSED BY THE COUNCIL. PLEASE COMPLETE A SPEAKER CARD AND
PRESENT IT TO THE CITY CLERK.**

(See notice attached to the end of this agenda.)

**PLEASE SUBMIT WRITTEN CORRESPONDENCE TO THE CITY CLERK/AGENCY SECRETARY. THE
CITY CLERK/AGENCY SECRETARY WILL FORWARD CORRESPONDENCE TO THE CITY
COUNCIL/REDEVELOPMENT AGENCY.**

City Council and Redevelopment Agency Action

ADOPTION OF AGENDA

City Council Action

CONSENT CALENDAR:

ITEMS 1-14 The Consent Calendar may be acted upon with one motion, a second and the vote, by each respective Agency. The Consent Calendar items are of a routine or generally uncontested nature and may be acted upon with one motion. Pursuant to Section 5.1 of the City Council Rules of Conduct, any member of the Council or public may request to have an item pulled from the Consent Calendar to be acted upon individually.

Time Estimate

Page

Consent Calendar: 1 - 10 Minutes

1. [APRIL 2006 FINANCE & INVESTMENT REPORT - CITY](#) 13
Recommended Action(s): Accept and File Report
2. [CENTENNIAL RECREATION CENTER \(CRC\) PROJECT – APRIL CONSTRUCTION PROGRESS REPORT](#) 39
Recommended Action(s): Information Only.
3. [CENTENNIAL INDOOR RECREATION CENTER \(CRC\) APPROVAL OF EXTRA DESIGN COSTS](#) 40
Recommended Action(s): Approve Staff Recommendations to Pay for Extra Design Costs Thru February 28, 2006 for Noll & Tam Architects in the Amount of \$72,064.
4. [APPROVAL OF PG&E FEES FOR THE NEW LIBRARY](#) 41
Recommended Action(s): Approve Payment of Fees to PG&E for the New Library in the Amount of \$56,038.85.
5. [REJECTION OF BID FOR LABORATORY SERVICES FOR POTABLE WATER SAMPLING AND ANALYSIS](#) 42
Recommended Action(s):
 1. Reject the Bid Received on May 4, 2006 for Laboratory Services for Potable Water Sampling and Analysis; and
 2. Authorize Staff to Re-Bid.
6. [AMENDMENT TO ANNUAL CONTRACT WITH REPUBLIC ELECTRIC FOR TRAFFIC SIGNAL MAINTENANCE](#) 43
Recommended Action(s): Approve Amendment No. 2 to Contract with Republic Electric to Increase the Maximum Compensation from \$145,000 to \$205,000.
7. [AWARD OF MORGAN HILL WILDLIFE BIKE TRAIL PROJECT](#) 44
Recommended Action(s):
 1. Award Contract to Perma-Green Hydroseeding, Inc. for the Construction of the Morgan Hill Wildlife Bike Trail Project, in the Amount of \$238,839; and
 2. Authorize Expenditure of Construction Contingency Funds, Not to Exceed \$23,884.
8. [APPROVAL OF JOINT USE AGREEMENT FOR PORTIONS OF THE WEST LITTLE LLAGAS CREEK BIKE TRAIL SYSTEM](#) 45
Recommended Action(s): Authorize City Manager to Sign, on Behalf of the City, a Joint Use Agreement with Santa Clara Valley Water District for Portions of the West Little Llagas Creek Bike Trail System; Subject to Review and Approval by the City Attorney.

Time Estimate **Page**
Consent Calendar: 1 - 10 Minutes

9. **ACCEPTANCE OF SUBDIVISION IMPROVEMENTS FOR TRACT 9562, CENTRAL PARK PHASE VII** 46
Recommended Action(s):
1. **Adopt** the Resolution Accepting the Subdivision Improvements Included in Tract 9562, Commonly Known as Central Park Phase VII; and
2. **Direct** the City Clerk to File a Notice of Completion with the County Recorder's Office.

10. **AGREEMENT WITH "CIRCA: HISTORIC PROPERTY DEVELOPMENT" TO UPDATE THE CITY'S HISTORIC RESOURCES INVENTORY AND PRESERVATION ORDINANCE** 48
Recommended Action(s): **Approve** and **Authorize** Execution of the Agreement.

11. **HOUSING ASSISTANCE PROGRAM** 57
Recommended Action(s):
1. **Authorize** a Loan of up to \$50,000 to the Recreation and Community Services Director to Assist in Acquiring a Residence in Morgan Hill; and
2. **Appropriate** \$50,000 from the Employee Assistance Fund.

12. **PROPOSITION 81, THE 2006 CALIFORNIA STATE LIBRARY CONSTRUCTION BOND** 58
Recommended Action(s):
1. **Adopt** Resolution Endorsing and Supporting Proposition 81; and
2. **Direct** the City Clerk to Forward a Copy of the Council Resolution to the "YES for Libraries" Headquarters.

13. **ADOPT ORDINANCE NO. 1779, NEW SERIES** 61
Recommended Action(s): **Waive** the Reading, and **Adopt** Ordinance No. 1779, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING THE ZONING DESIGNATION FROM R-2 3,500 (MEDIUM DENSITY RESIDENTIAL) TO CG (GENERAL COMMERCIAL) ON A 2.66-ACRE PARCEL (APN 726-43-006) ADJACENT TO, AND NORTHERLY OF, THE LAUREL ROAD/WALNUT GROVE DRIVE INTERSECTION. (ZONING AMENDMENT APPLICATION NO. ZA-06-02: LAUREL – CITY OF MORGAN HILL).**

14. **APPROVE JOINT SPECIAL CITY COUNCIL AND SPECIAL PLANNING COMMISSION MEETING MINUTES OF APRIL 29, 2006** 65

Redevelopment Agency Action

CONSENT CALENDAR:

ITEM 15

Time Estimate **Page**
Consent Calendar: 1 - 10 Minutes

15. **APRIL 2006 FINANCE & INVESTMENT REPORT – RDA** 66
Recommended Action(s): **Accept** and **File** Report

City Council and Redevelopment Agency Action

CONSENT CALENDAR:

ITEMS 16-17

	Time Estimate	Page
	Consent Calendar: 1 - 10 Minutes	
16.	<u>APPROVE JOINT REGULAR REDEVELOPMENT AGENCY AND REGULAR CITY COUNCIL MEETING MINUTES FOR APRIL 26, 2006</u>	75
17.	<u>APPROVE JOINT SPECIAL AND REGULAR CITY COUNCIL AND REGULAR REDEVELOPMENT AGENCY MEETING MINUTES FOR MAY 3, 2006</u>	97

City Council Action

PUBLIC HEARINGS:

	Time Estimate	Page
18.	35 Minutes	
	<u>ISLANDS ANNEXATION PROJECT: ADOPTION OF PARCEL PRE-ZONINGS, AND APPROVAL OF ANNEXATIONS – ISLANDS 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 16, AND 17</u>	117
	Public Hearing Opened for Each Island.	
	Please Limit Your Remarks to 3 Minutes.	
	Public Hearing Closed for Each Island	
	Council Discussion.	

[ISLAND #1: ANX-05-01/ ZA-05-17: City Of Morgan Hill - Tilton & Hale.](#)119

Island #1 is a 2.6-acre annexation area containing four parcels, located at Tilton and Hale Avenues. The zoning amendment consists of pre-zoning APNs 764-09-002, -003, and -004 to the “Single Family R-1-12,000” zoning district, consistent with the existing city General Plan designation of Single Family Low 1-3 units per acre; and pre-zoning APN 764-09-015 to the “Public Facilities” zoning district, consistent with the existing city General Plan designation of Public Facilities.

Action- **Waive** the Reading, and **Adopt** Ordinance No. 1767, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and **Further Reading Waived**; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL PRE-ZONING 1.91 ACRES, FROM COUNTY OF SANTA CLARA EXCLUSIVE AGRICULTURE ZONING A-20 TO SINGLE FAMILY R-1-12,000 FOR APNS 764-09-002, 003 & 004 AND PRE-ZONING .01 ACRES FROM COUNTY OF SANTA CLARA EXCLUSIVE AGRICULTURE ZONING A-20 TO PF, PUBLIC FACILITIES FOR APN 764-09-015 FOR APPLICATION ZA-05-17: CITY OF MORGAN HILL-TILTON & HALE.** (Roll Call Vote)

Action- **Adopt** Resolution Approving Annexation.

ISLAND #2: ANX-05-02/ ZA-05-18: City of Morgan Hill -East of Hale.120

Island #2 is a 3.59-acre annexation area containing five parcels, located at Hale Avenue and Campoli Drive near the northern terminus of Del Monte Avenue. The zoning amendment consists of rezoning APNs 764-23-017 and 764-24-001, -003, -004 and -005 to the "Single Family R-1-7,000" zoning district, consistent with the existing city General Plan designation of Single Family Medium 3-5 units per acre.

Action- **Waive** the Reading, and **Adopt** Ordinance No. 1768, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and **Further Reading Waived**; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL PRE-ZONING 1.85 ACRES, FROM COUNTY OF SANTA CLARA EXCLUSIVE AGRICULTURE ZONING A-20 AND A-SR TO SINGLE FAMILY R-1-7,000 FOR APNS 764-23-017 & 764-24-001, 003, 004 & 005 FOR APPLICATION ZA-05-18: CITY OF MORGAN HILL-EAST OF HALE.** (Roll Call Vote)

Action- **Adopt** Resolution Approving Annexation.

ISLAND #3: ANX-05-03/ ZA-05-19: City of Morgan Hill - Teresa & Sabini.121

Island #3 is a 17.86-acre annexation area containing five parcels located at Llagas Road/Teresa Lane and Sabini Court. The zoning amendment consists of rezoning APNs 773-32-010, -011, -012, -013 and -014 to the "Residential Estate RE-40,000" zoning district, consistent with the existing city General Plan designation of Residential Estate 0-1 units per acre.

Action- **Waive** the Reading, and **Adopt** Ordinance No. 1769, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and **Further Reading Waived**; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL PRE-ZONING 17.82 ACRES, FROM COUNTY HILLSIDE HS TO RESIDENTIAL ESTATE RE 40,000 FOR APNS 773-32-010, 011, 012, 013 & 014 FOR APPLICATION ZA-05-19: CITY OF MORGAN HILL-TERESA & SABINI.** (Roll Call Vote)

Action- **Adopt** Resolution Approving Annexation.

ISLAND #5: ANX-05-05/ ZA-05-21: City of Morgan Hill - Cochrane & Mission View.122

Island #5 is a 54.92-acre annexation area containing three parcels located at Cochrane Road and Mission View. The zoning amendment consists of rezoning APN 728-36-006, as well as rezoning APN 728-36-011 (an adjacent 1.65-acre parcel already within the city limits located at the corner of Cochrane and Mission View), to the "Single Family R-1-7,000" zoning district; and rezoning APNs 728-36-007 and -008 to the "Single Family R-1-9,000" zoning district. These zonings are consistent with the existing General Plan designation of Single Family Medium 3-5 units per acre. The City is subject to Court Judgment 474873, which requires the City to annex these lands as a result of the Cochrane Road Assessment District lawsuit.

Action- **Waive** the Reading, and **Adopt** Ordinance No. 1770, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and **Further Reading Waived**; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL PRE-ZONING 36.60 ACRES, FROM COUNTY GENERAL USE A1-2.5 TO SINGLE FAMILY R-1 9,000 FOR APNS 728-36-007 & 008, PRE-ZONING 18.30 ACRES FROM COUNTY GENERAL USE A1-2.5 TO SINGLE FAMILY R-1 7,000 FOR APN 728-36-006 AND REZONING 1.65 ACRES FROM SINGLE FAMILY R-1 9,000 TO SINGLE FAMILY R-1 7,000 FOR APN 728-36-011 AS CONTAINED IN APPLICATION ZA-05-21: CITY OF MORGAN HILL-COCHRANE AND MISSION VIEW.** (Roll Call Vote)

Action- **Adopt** Resolution Approving Annexation.

ISLAND #6: ANX-05-06/ ZA-05-22: City of Morgan Hill - Cochrane & Peet,123

Island #6 is a 141.99-acre annexation area containing three parcels located at Cochrane and Peet Roads. The zoning amendment consists of rezoning APNs 728-34-001 and -008 to the "Public Facilities" zoning district, consistent with the existing city General Plan designation of Public Facilities; and rezoning APN 728-34-009 to three zoning classifications, all with the Residential Planned Development Overlay, consistent with the existing city General Plan designation of Single Family Low 1-3 units per acre, as follows: "Single Family R-1-12,000/RPD (34.77 acres); Single Family R-1-20,000/RPD (45.03 acres); and Residential Estate RE-40,000/RPD (41.51 acres). The City is subject to Court Judgment 474873, which requires the City to annex these lands as a result of the Cochrane Road Assessment District lawsuit.

Action- **Waive** the Reading, and **Adopt** Ordinance No. 1771, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and **Further Reading Waived**; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL PRE-ZONING 18.5 ACRES, FROM COUNTY EXCLUSIVE AGRICULTURE A-20 TO PUBLIC FACILITIES FOR APNS 728-34-001 & 008, PRE-ZONING A 34.7 ACRE PORTION OF APN 728-34-006 FROM COUNTY EXCLUSIVE AGRICULTURE A-20 TO SINGLE FAMILY R-1-12,000 RESIDENTIAL PLANNED DEVELOPMENT, PRE-ZONING A 45.03 ACRE PORTION OF APN 728-34-006 FROM COUNTY EXCLUSIVE AGRICULTURE A-20 TO SINGLE FAMILY R-1-20,000 RESIDENTIAL PLANNED DEVELOPMENT AND PRE-ZONING THE REMAINING 41.5 ACRES FROM COUNTY EXCLUSIVE AGRICULTURE A-20, TO RESIDENTIAL ESTATE RE 40,000 RESIDENTIAL PLANNED DEVELOPMENT FOR APPLICATION ZA-05-22: CITY OF MORGAN HILL-COCHRANE AND PEET. (Roll Call Vote)**

Action- **Adopt** Resolution Approving Annexation.

ISLAND #7: ANX-05-07: City of Morgan Hill - Diana & Hill (El Dorado III),124

Island # 7 is a 23.99 acre annexation area that includes the existing El Dorado III subdivision, containing 46 homes. The area is already rezoned to the Single Family Low Density R-1-12,000 zoning classification, consistent with the existing General Plan land use designation of Single Family Low 1-3 units/acre. APNs 728-07-001 through -046.

Action- **Adopt** Resolution Approving Annexation.

ISLAND #8: ANX-05-08/ ZA-05-32: City of Morgan Hill - US Hwy 101 & Condit,125

Island #8 is a 62.34-acre annexation area containing four parcels, two of which (APNs 728-17-011 and -025) are already appropriately rezoned as Planned Unit Development-Commercial. The zoning amendment consists of rezoning the other two parcels, which include a Water District drainage channel (APN 728-17-008) and a City well site (APN 728-17-024), to the "PF Public Facilities" zoning district, consistent with the existing city General Plan designations.

Action- **Waive** the Reading, and **Adopt** Ordinance No. 1772, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and **Further Reading Waived**; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL PRE-ZONING 6.77ACRES, FROM COUNTY EXCLUSIVE AGRICULTURE A-20 TO PUBLIC FACILITIES FOR APN 728-17-008, AND RE-ZONING A .06 ACRE PARCEL FROM PLANNED UNIT DEVELOPMENT PUD, TO PUBLIC FACILITIES PF, FOR APN 728-34-006 FOR APPLICATION ZA-05-32: CITY OF MORGAN HILL-U.S. HIGHWAY 101 AND CONDIT. (Roll Call Vote)**

Action- **Adopt** Resolution Approving Annexation.

ISLAND #9: ANX-05-09: City of Morgan Hill - E. Dunne-Wong.126

Island #9 is a 4.83-acre annexation area consisting of APN 817-19-043. The parcel is already rezoned to the R-1-7,000 zoning classification, consistent with the existing Single Family Medium 3-5 du/acre General Plan land use designation.

Action- **Adopt** Resolution Approving Annexation.

ISLAND #10: ANX-05-10: City of Morgan Hill – Murphy.127

Island #10 is a 2.34 acre annexation area consisting of APN 817-19-001. The parcel is already rezoned to the R-1-7,000 zoning classification, consistent with the existing General Plan designation of Single Family Medium 3-5 unit per acre.

Action- **Adopt** Resolution Approving Annexation.

ISLAND #11: ANX-05-11/ ZA-05-33: City of Morgan Hill - Condit & Murphy.128

Island #11 is an 18.71-acre annexation area consisting of two parcels, located along Condit Road, and bounded by San Pedro and Murphy Avenues. The zoning amendment consists of rezoning APNs 817-12-006 and -009 to the “CG General Commercial” zoning district, consistent with the existing city General Plan designation of Commercial.

Action- **Waive** the Reading, and **Adopt** Ordinance No. 1773, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and **Further Reading Waived**; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL PRE-ZONING 18.85 ACRES, FROM COUNTY EXCLUSIVE AGRICULTURE A-20 TO GENERAL COMMERCIAL CG, FOR APN 817-12-006 & APN 817-12-009 FOR APPLICATION ZA 05-33: CITY OF MORGAN HILL-CONDIT & MURPHY.** (Roll Call Vote)

Action- **Adopt** Resolution Approving Annexation.

ISLAND #12: ANX-05-12: City of Morgan Hill – Dewitt.129

Island #12 is a 2.00-acre annexation area consisting of APN 773-08-016 located at 16775 Dewitt Avenue. The parcel is already rezoned to the “Single Family R-1-12,000/Residential Planned Development zoning overlay” classification, consistent with the existing city General Plan designation of Single Family Low 1-3 units per acre.

Action- **Adopt** Resolution Approving Annexation.

ISLAND #13: ANX-05-13/ ZA-05-23: City of Morgan Hill - Tennant & Railroad.130

Island #13 is a 2.87-acre annexation area containing two parcels located at Tennant and the UPRR tracks. The zoning amendment consists of rezoning APN 817-06-053 to the “ML Light Industrial” zoning district, consistent with the existing city General Plan designation of Industrial; and rezoning APN 817-06-054 to the “PF Public Facilities” zoning district, consistent with its use as a transportation facility.

Action- **Waive** the Reading, and **Adopt** Ordinance No. 1774, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and **Further Reading Waived**; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL PRE-ZONING 1.56 ACRES, FROM COUNTY AGRICULTURAL A-20A TO LIGHT INDUSTRIAL ML, AND 1.17 ACRES TO PUBLIC FACILITIES PF, FOR APN 817-06-053 & 817-06-054 FOR APPLICATION ZA-05-23: CITY OF MORGAN HILL-TENNANT AND RAILROAD.** (Roll Call Vote)

Action- **Adopt** Resolution Approving Annexation.

ISLAND #14: ANX-05-14: City of Morgan Hill – Monterey.131

Island #14 is a 20.26-acre annexation area containing three parcels located along Monterey Road near the terminus of Watsonville Road. The area has already been rezoned “Planned Unit Development–Light Industrial (PUD-ML)”, consistent with its existing city General Plan designation of Industrial. APNs 817-06-004, -005, and -006.

Action- **Adopt** Resolution Approving Annexation.

ISLAND #16: ANX-05-16: City of Morgan Hill - Diana & Jasmine.....132

Island #16 is a 19.04-acre annexation area containing three parcels, which are already rezoned as R-1-12,000/Residential Planned Development Overlay. This is consistent with the existing city General Plan designation of Single Family Low 1-3 units per acre. APNs 728-18-012; 728-19-001 and -002.

Action- **Adopt** Resolution Approving Annexation.

ISLAND #17: ANX-05-17/ ZA-05-35: City of Morgan Hill - W. Edmundson & Piazza.133

Island #17 is a 12.64-acre annexation area containing four parcels located along West Edmundson at Piazza. The zoning amendment consists of changing the existing rezoning for APN 767-21-045 to remove the RPD overlay, such that the change is from R-2 (3,500)/RPD to a rezoning of “Multi Family R-2 (3,500)” zoning district, consistent with the existing city General Plan designation of “Multi-Family Low 5-14 du/acre”. The three other parcels (APNs 767-21-013, -014, and -015) are already pre-zoned to the “Single Family Medium Density (R-1-9,000)/Residential Planned Unit Development (RPD)” district, consistent with the Single Family Medium 3-5 units per acre General Plan designation.

Action- **Waive** the Reading, and **Adopt** Ordinance No. 1775, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and **Further Reading Waived**; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING A ZONING AMENDMENT TO REZONE A SINGLE 2.30 ACRE PARCEL LOCATED ON THE SOUTH SIDE OF WEST EDMUNDSON AVENUE, ACROSS THE STREET FROM COMMUNITY PARK FROM MULTI-FAMILY LOW R-2 3,500 RESIDENTIAL PLANNED DEVELOPMENT TO MULTI-FAMILY MEDIUM R-2 3,500. (ZA-05-35: W. Edmundson-Piazza). (Roll Call Vote)**

Action- **Adopt** Resolution Approving Annexation.

Redevelopment Agency Action

OTHER BUSINESS:

Time Estimate

Page

- | | | |
|-----|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 19. | 10 Minutes | <u>LEADERSHIP MORGAN HILL – 2006 CLASS PROJECT</u>134.
<u>Recommended Action(s):</u> <u>Accept</u> Public Art Piece for the New Library and Site Location. |
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City Council and Redevelopment Agency Action

OTHER BUSINESS:

	Time Estimate		Page
20.	15 Minutes	<u>PROPERTY BASED IMPROVEMENT DISTRICT (PBID)</u>	135
		<u>Recommended Action(s):</u>	
		1. <u>Consider</u> a Petition from the Morgan Hill Downtown Association (MHDA) to Initiate Special Assessment Proceedings to Form a PBID in Downtown;	
		2. <u>Direct</u> the City Manager/Executive Director to Sign the Petition in Favor of the Assessment; and	
		3. <u>Adopt</u> the Resolution of Intent to Initiate the Special Assessment Proceedings.	

City Council Action

OTHER BUSINESS:

	Time Estimate		Page
21.	15 Minutes	<u>UNITED WAY 2-1-1 PROGRAM FUNDING REQUEST</u>	136
		<u>Recommended Action(s):</u>	
		1. <u>Receive</u> Presentation by United Way Representatives; and	
		2. <u>Council Discretion</u> on Funding United Way's 2-1-1 Call Center for \$10,000.	
22.	5 Minutes	<u>2005 ANNUAL CONSUMER CONFIDENCE REPORT REGARDING WATER QUALITY</u>	137
		<u>Recommended Action(s):</u> <u>Information</u> Only.	
23.	10 Minutes	<u>REVIEW OF COUNTY LAND USE INITIATIVE</u>	138
		<u>Recommended Action(s):</u> <u>Consider</u> whether to Adopt a Formal City Position.	
24.	5 Minutes	<u>APPOINTMENTS TO FILL VACANCIES ON THE ARCHITECTURAL & SITE REVIEW BOARD, MOBILE HOME RENT COMMISSION, AND THE SENIOR ADVISORY COMMISSION</u>	140
		<u>Recommended Action(s):</u> <u>Consider</u> , <u>Discuss</u> , and <u>Ratify</u> Mayor's Appointments to Fill Vacancies on the Architectural & Site Review Board, Mobile Home Rent Commission, and the Senior Advisory Commission.	

FUTURE COUNCIL-INITIATED AGENDA ITEMS:

Note: in accordance with Government Code Section 54954.2(a), there shall be no discussion, debate and/or action taken on any request other than providing direction to staff to place the matter of business on a future agenda.

City Council Action and Redevelopment Agency Action

CLOSED SESSION:

1.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Authority	Government Code 54957
Public Employee Performance Evaluation:	City Manager
Attendees:	City Council, City Manager

2.

CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION:

Authority:	Pursuant to Government Code 54956.9(a)
Case Name:	Tichinin v. City of Morgan Hill
Case Number:	Santa Clara County Superior Court, Case No. 1-05-CV-046112
Attendees:	City Manager; City Attorney

OPPORTUNITY FOR PUBLIC COMMENT

ADJOURN TO CLOSED SESSION

RECONVENE

CLOSED SESSION ANNOUNCEMENT

ADJOURNMENT

PUBLIC COMMENTS ON ITEMS NOT APPEARING ON AGENDA

Following the opening of Council/Agency business, the public may present comments on items *NOT* appearing on the agenda that are within the Council's/Agency's jurisdiction. Should your comments require Council/Agency action, your request will be placed on the next appropriate agenda. No Council/Agency discussion or action may be taken until your item appears on a future agenda. You may contact the City Clerk/Agency Secretary for specific time and dates. This procedure is in compliance with the California Public Meeting Law (Brown Act) G.C. 54950.5. Please limit your presentation to three (3) minutes.

PUBLIC COMMENTS ON ITEMS APPEARING ON AGENDA

The Morgan Hill City Council/Redevelopment Agency welcomes comments from all individuals on any agenda item being considered by the City Council/Redevelopment Agency. Please complete a Speaker Card and present it to the City Clerk/Agency Secretary. This will assist the Council/Agency Members in hearing your comments at the appropriate time. Speaker cards are available on the table in the foyer of the Council Chambers. In accordance with Government Code 54953.3 it is not a requirement to fill out a speaker card in order to speak to the Council/Agency. However, it is very helpful to the Council/Agency if speaker cards are submitted. As your name is called by the Mayor/Chairman, please walk to the podium and speak directly into the microphone. Clearly state your name and address and then proceed to comment on the agenda item. In the interest of brevity and timeliness and to ensure the participation of all those desiring an opportunity to speak, comments presented to the City Council/Agency Commission are limited to three minutes. We appreciate your cooperation.

NOTICE

AMERICANS WITH DISABILITIES ACT (ADA)

The City of Morgan Hill complies with the Americans with Disability Act (ADA) and will provide reasonable accommodation to individuals with disabilities to ensure equal access to all facilities, programs and services offered by the City. If you need special assistance to access the meeting room or to otherwise participate at this meeting, including auxiliary aids or services, please contact the Office of the City Clerk/Agency Secretary at City Hall, 17555 Peak Avenue or call 779-7259 or (Hearing Impaired only - TDD 776-7381) to request accommodation. Please make your request at least 48 hours prior to the meeting to enable staff to implement reasonable arrangements to assure accessibility to the meeting.

If assistance is needed regarding any item appearing on the City Council/Agency Commission agenda, please contact the Office of the City Clerk/Agency Secretary at City Hall, 17555 Peak Avenue or call 779-7259 or (Hearing Impaired only - TDD 776-7381) to request accommodation.

NOTICE

Notice is given, pursuant to Government Code Section 65009, that any challenge of Public Hearing Agenda items in court, may be limited to raising only those issues raised by you or on your behalf at the Public Hearing described in this notice, or in written correspondence delivered to the City Council/Agency Commission at, or prior to the Public Hearing on these matters.

NOTICE

The time within which judicial review must be sought of the action by the City Council/Agency Commission which acted upon any matter appearing on this agenda is governed by the provisions of Section 1094.6 of the California Code of Civil Procedure.



CITY COUNCIL STAFF REPORT

MEETING DATE: May 24, 2006

APRIL 2006 FINANCE & INVESTMENT REPORT

RECOMMENDED ACTION:

Accept and File Report

EXECUTIVE SUMMARY:

Attached is the monthly Finance and Investment Report for the period ended April 30, 2006. The report covers the first ten months of activity for the 2005/2006 fiscal year. A summary of the report is included on the first page for the City Council's benefit.

The monthly Finance and Investment Report is presented to the City Council and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity in the City, including the Redevelopment Agency. The Redevelopment Agency receives a separate report for the fiscal activity of the Agency at the meeting of the Agency. Presenting this report is consistent with the goal of *Maintaining and Enhancing the Financial Viability of the City*.

FISCAL IMPACT: as presented

Agenda Item # 1

Prepared By:

Finance Director

Submitted By:

City Manager

CITY OF MORGAN HILL
Monthly Financial and Investment Reports
April 30, 2006 – 83% Year Complete



CITY OF MORGAN HILL

Prepared by:
FINANCE DEPARTMENT



CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2005/06
FOR THE MONTH OF APRIL 2006 - 83% OF YEAR COMPLETE

This analysis of the status of the City's financial situation reflects 83% of the year.

- * **General Fund** - The revenues received in the General Fund were approximately 85% of the budgeted revenues. A total of \$4,300,419, or 88% of the budget, in property related taxes has been received by the City. Property tax receipts included \$1,225,725 in motor vehicle in-lieu backfill revenue. The amount of Sales Tax collected was 85% of the sales tax revenue budget and was 17% more than the amount collected for the same period last year. Sales tax receipts included \$781,000 related to triple flip legislation and withheld from previous sales tax collections. Business license and other permit collections through December were 103% of the budgeted amount. Most of the business license renewal fees were due in July; therefore the higher percentage of budget collected early in the year is normal. Motor Vehicle-in-Lieu revenues were \$159,857, or 85% of the budgeted amount, and 17% less than last year. Interest & Other Revenue was 92% of budget and did not reflect certain April interest earnings that will be posted at the end of June as part of earnings for the quarter ending June 30.
- * The General Fund expenditures and encumbrances to date totaled 84% of the budgeted appropriations. The outstanding encumbrances in several activities were encumbrances for projects started but not completed in the prior year and carried forward to the current fiscal year. The higher balance expended in the Administration budget for the City Attorney related to contract encumbrances associated with current litigation. Higher police costs were associated with overtime costs and with the hiring of a police officer partly funded with federal grant dollars. It is expected that the police expenditures will be under budget by year-end.
- * Available fund balance as of June 30, 2006, is now projected to be \$9,432,665, including \$4,820,014 in required reserves. This includes the effect of a \$522,000 projected operating deficit for Fiscal Year 2005/06. The 2005/06 budget originally anticipated a \$1.3 million operating deficit. This deficit was reduced primarily because projected sales taxes for 2005/06 will be \$560,000 higher than originally estimated and because property taxes will be \$440,000 higher than originally estimated.
- * **Transient Occupancy (Hotel) Tax** - The TOT rate is 10%. The City receives TOT on a quarterly basis. Taxes through April 30 totaled \$759,246, or 78% of the budget, and 9% more than the prior year amount. Taxes for the month of April have not yet been received and will be collected by the City after the end of the quarter ending June 30.
- * **Community Development** - Revenues were 83% of budget, which was 24% less than the amount collected in the like period for the prior year. Planning expenditures plus encumbrances were 79% of budget; Building has expended or encumbered 80% of budget and Engineering 82%. Community Development has expended or encumbered a combined total of 80% of the 2005/06 budget, including \$241,429 in encumbrances. If encumbrances were excluded, Community Development would have spent only 74% of the combined budget.
- * **RDA and Housing** - A total of \$19,769,461, or 81% of the budget, in property tax increment revenues has been received as of April 30, 2006. Expenditures plus encumbrances totaled 53% of budget. If encumbrances totaling \$11,228,470 were excluded, the RDA would have spent only 34% of the combined budget.



CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2005/06
FOR THE MONTH OF APRIL 2006 - 83% OF YEAR COMPLETE

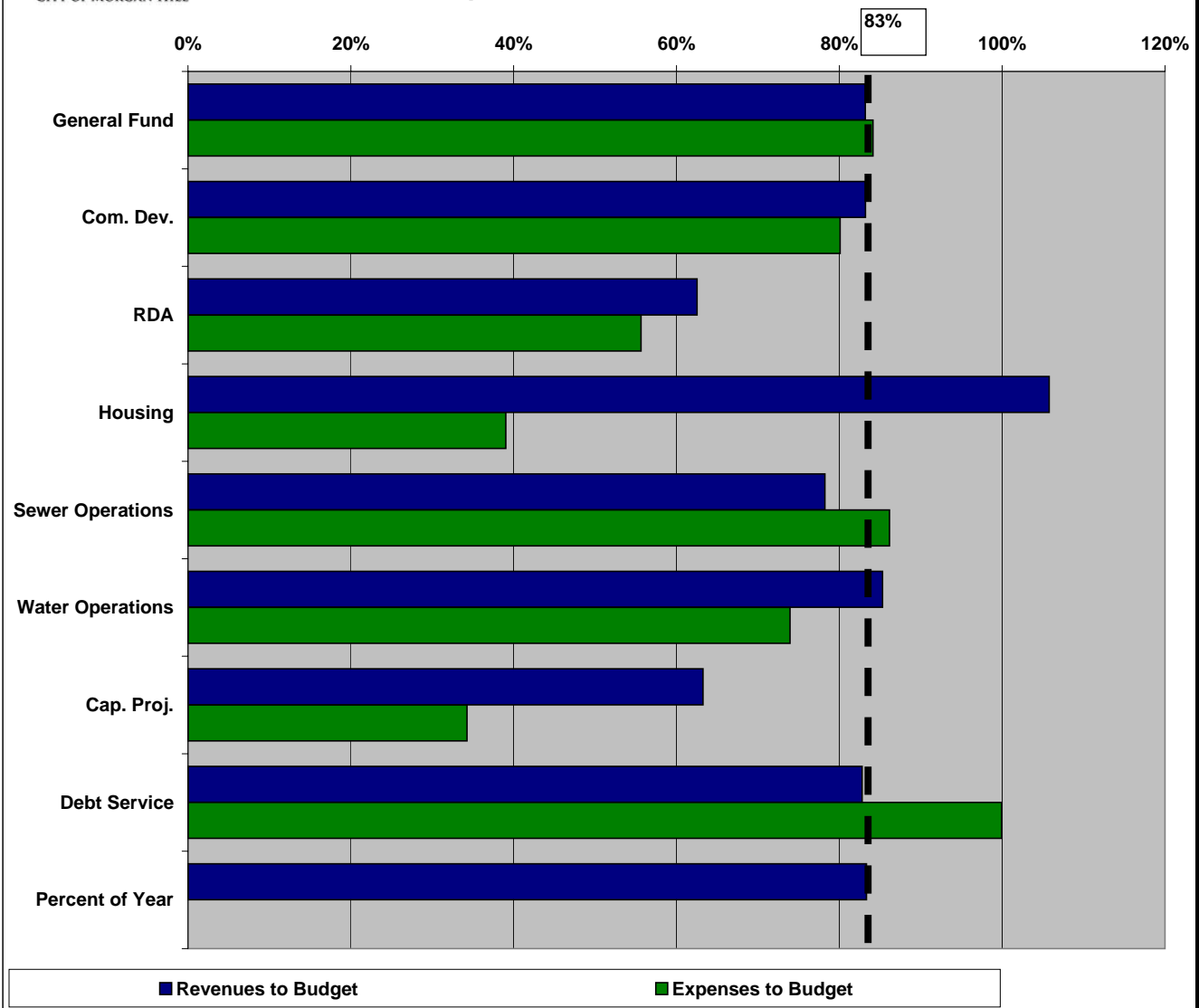
- * **Water and Wastewater Operations-** Water Operations revenues, including service fees, were 85% of budget. Expenditures totaled 74% of appropriations. Wastewater Operations revenues, including service fees, were 78% of budget. Expenditures for Wastewater Operations were 86% of budget. This higher percentage resulted from large debt service payments made in July and January.

- * **Investments maturing/called/sold during this period.** – During the month of April, \$2 million in federal agency investments matured. Further details of investments are included on pages 6-8 of this report.



Morgan Hill YTD Revenue & Expense Summary

April 30, 2006 – 83% Year Complete



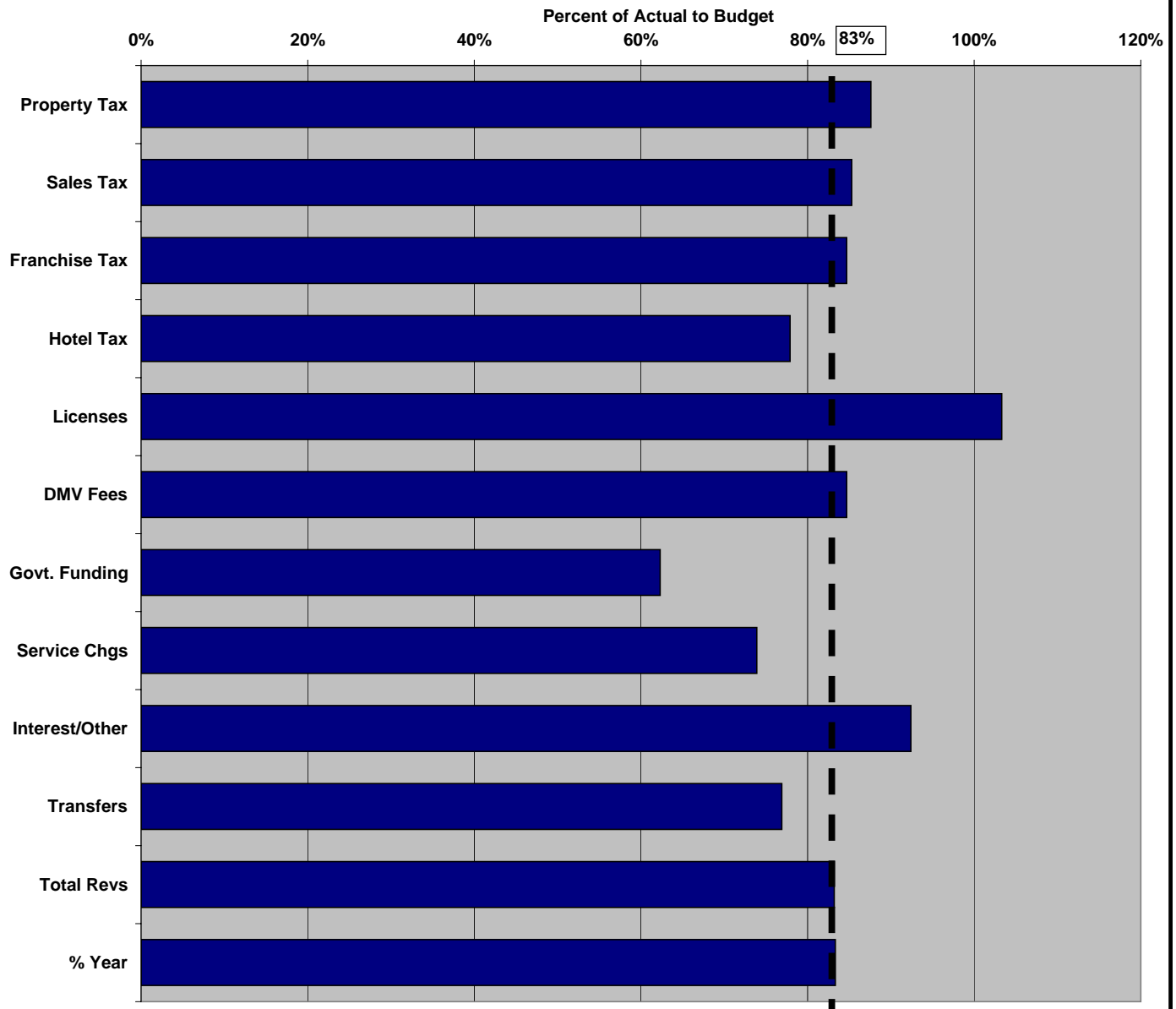
FUND NAME	REVENUES		EXPENSES		04/30/2006 UNRESTRICTED FUND BALANCE
	ACTUAL	% OF BUDGET	ACTUAL plus ENCUMBRANCES	% OF BUDGET	
General Fund	\$15,582,820	83%	\$17,157,697	84%	\$8,379,729
Community Development	2,515,635	83%	2,976,828	80%	1,904,824
RDA	17,610,562	63%	25,833,959	56%	3,887,933
Housing/CDBG	5,194,588	106%	4,767,584	39%	6,649,454
Sewer Operations	4,642,264	78%	5,896,393	86%	1,593,610
Sewer Other	3,057,294	132%	3,411,965	76%	12,875,315
Water Operations	6,527,103	85%	6,621,129	74%	4,029,472
Water Other	1,213,503	77%	3,398,861	61%	1,802,656
Other Special Revenues ¹	1,091,231	87%	815,026	29%	5,255,750
Capital Projects & Streets Funds	6,298,275	63%	6,352,655	34%	26,304,460
Debt Service Funds	602,016	83%	714,384	100%	751,428
Internal Service	4,465,389	81%	3,502,853	69%	6,429,251
Agency	2,148,668	91%	2,978,228	129%	3,392,405
TOTAL FOR ALL FUNDS	\$70,949,348	77%	\$84,427,562	62%	\$83,256,286

¹ Includes all Special Revenue Funds except Community Development, CDBG, and Street Funds



Morgan Hill YTD General Fund Revenues

April 30, 2006 – 83% Year Complete

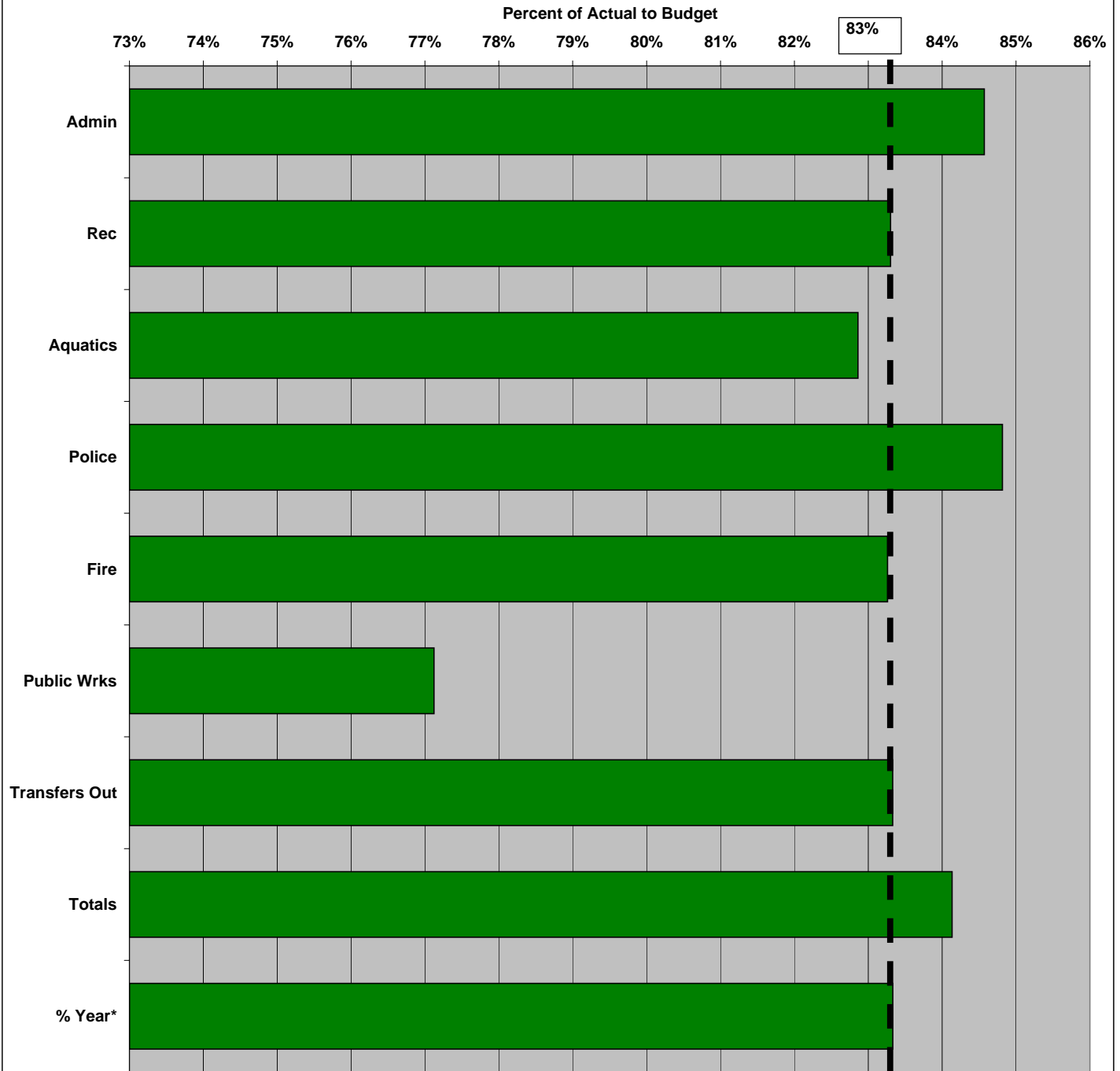


REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
PROPERTY RELATED TAXES	\$4,911,595	\$4,300,419	88%	\$3,609,213	19%
SALES TAXES	\$5,724,600	\$4,883,648	85%	\$4,156,985	17%
FRANCHISE FEE	\$1,030,700	\$872,507	85%	\$849,479	3%
HOTEL TAX	\$974,560	\$759,246	78%	\$696,414	9%
LICENSES/PERMITS	\$161,680	\$167,053	103%	\$197,983	-16%
MOTOR VEHICLE IN LIEU	\$188,776	\$159,857	85%	\$192,973	-17%
FUNDING - OTHER GOVERNMENTS	\$246,400	\$153,465	62%	\$153,302	
CHARGES CURRENT SERVICES	\$3,890,825	\$2,875,758	74%	\$2,862,377	
INTEREST & OTHER REVENUE	\$1,151,300	\$1,063,547	92%	\$852,418	25%
TRANSFERS IN	\$451,865	\$347,320	77%	\$250,500	39%
TOTALS	\$18,732,301	\$15,582,820	83%	\$13,821,644	13%



Morgan Hill YTD General Fund Expenditures

April 30, 2006 – 83% Year Complete



Expenditure Category	Budget	Actual Plus Encumbrances	% of Budget
ADMINISTRATION	3,386,140	2,977,824	84.57%
RECREATION/CCC	1,688,751	1,338,004	83.30%
AQUATICS	1,403,838	1,163,238	82.86%
POLICE	8,815,340	7,476,844	84.82%
FIRE	4,377,495	3,644,743	83.26%
PUBLIC WORKS	711,485	548,711	77.12%
TRANSFERS OUT	10,000	8,333	83.33%
TOTALS	\$ 20,393,049	\$ 17,157,697	84.14%



City of Morgan Hill
Fund Activity Summary - Fiscal Year 2005/06
For the Month of April 2006
83% of Year Completed

Fund No.	Fund	Fund Balance 06-30-05	Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved ¹	Unreserved	Unrestricted	Restricted ²
010	GENERAL FUND	\$9,954,606	\$15,582,820	83%	\$16,676,087	82%	(\$1,093,267)	\$481,610	\$8,379,729	\$8,900,991	\$6,112
TOTAL GENERAL FUND		\$9,954,606	\$15,582,820	83%	\$16,676,087	82%	(\$1,093,267)	\$481,610	\$8,379,729	\$8,900,991	\$6,112
202	STREET MAINTENANCE	\$1,269,242	\$1,224,554	26%	\$1,841,630	33%	(\$617,076)	\$262,056	\$390,110	\$638,678	
204/205	PUBLIC SAFETY/SUPPL. LAW	\$256,490	\$106,370	98%	\$146,266	83%	(\$39,896)		\$216,594	\$216,593	
206	COMMUNITY DEVELOPMENT	\$2,366,017	\$2,515,635	83%	\$2,735,399	74%	(\$219,764)	\$241,429	\$1,904,824	\$2,233,627	
207	GENERAL PLAN UPDATE	\$326,302	\$216,979	96%	\$67,474	19%	\$149,505	\$47,854	\$427,953	\$477,034	
210	COMMUNITY CENTER	\$203,282	\$5,406	154%		n/a	\$5,406		\$208,688	\$208,688	
215 / 216	CDBG	152,202	\$16,334	3%	\$103,192	16%	(\$86,858)	712,620	(\$647,276)	\$67,573	
225	ASSET SEIZURE	\$8,930	\$231	14%	\$300	n/a	(\$69)		\$8,861	\$8,860	
229	LIGHTING AND LANDSCAPE	(\$4,556)	\$75,947	55%	\$124,659	92%	(\$48,712)	\$19,364	(\$72,632)	(\$52,354)	
232	ENVIRONMENTAL PROGRAMS	\$779,095	\$370,972	66%	\$298,195	62%	\$72,777	\$60,648	\$791,224	\$972,691	
234	MOBILE HOME PK RENT STAB.	\$167,364	\$10,238	104%	\$1,235	26%	\$9,003		\$176,367	\$176,249	
235	SENIOR HOUSING	\$250,448	\$6,585	96%	\$3,275	4%	\$3,310		\$253,758	\$253,758	
236	HOUSING MITIGATION	\$2,335,762	\$260,218	186%	13,179	1%	\$247,039	1,821	\$2,580,980	\$2,582,801	
240	EMPLOYEE ASSISTANCE	\$75,939	\$23,541	55%	25,076	44%	(\$1,535)		\$74,404	\$73,410	
247	ENVIRONMENT REMEDIATION	\$580,489	14,744	173%	5,680	4%	\$9,064		\$589,553	\$564,552	
TOTAL SPECIAL REVENUE FUNDS		\$8,767,006	\$4,847,754	51%	\$5,365,560	42%	(\$517,806)	\$1,345,792	\$6,903,408	\$8,422,160	
301	PARK DEV. IMPACT FUND	\$4,030,817	\$1,398,604	172%	\$124,323	3%	\$1,274,281	\$141,544	\$5,163,554		\$5,305,099
302	PARK MAINTENANCE	\$3,554,129	\$276,996	67%	\$127,601	18%	\$149,395	\$3,812	\$3,699,712	\$3,702,615	
303	LOCAL DRAINAGE	\$3,799,031	\$343,378	27%	\$12,117	1%	\$331,261		\$4,130,292		\$4,130,292
304	LOCAL DRAINAGE/NON-AB1600	\$3,456,214	\$226,175	63%	\$366,264	29%	(\$140,089)	\$139,604	\$3,176,521	\$3,236,125	
306	OPEN SPACE	\$1,249,785	\$251,143	147%	2,139		\$249,004	\$10,000	\$1,488,789	\$1,499,697	
309	TRAFFIC IMPACT FUND	\$3,319,523	\$1,396,549	124%	\$497,878	23%	\$898,671	\$657,124	\$3,561,070		\$4,235,029
311	POLICE IMPACT FUND	\$177,081	\$86,104	81%	\$217,448	83%	(\$131,344)	\$10,000	\$35,737		\$45,737
313	FIRE IMPACT FUND	\$2,516,441	\$173,508	89%	\$1,148	0%	\$172,360		\$2,688,801		\$2,688,800
317	REDEVELOPMENT AGENCY	12,182,379	\$17,610,562	63%	\$14,911,593	32%	\$2,698,969	10,993,415	\$3,887,933	\$14,846,784	
327 / 328	HOUSING	6,764,866	\$5,178,254	117%	\$4,130,286	40%	\$1,047,968	516,104	\$7,296,730	\$7,875,552	
340/342	MORGAN HILL BUS.RANCH I & II	24,491	\$720	23%	-		\$720	-	\$25,211	\$25,210	
346	PUBLIC FACILITIES NON-AB1600	\$786,512	\$364,618	160%	353,342		\$11,276	\$353,084	\$444,704	\$839,507	\$152
347	PUBLIC FACILITIES IMPACT FUND	504,550	\$255,395	329%	\$65,364	92%	\$190,031	-	\$694,581		\$694,580
348	LIBRARY IMPACT FUND	\$575,154	\$171,422	139%	\$168	0%	\$171,254		\$746,408		\$746,409
350	UNDERGROUNDING	1,022,340	28,869	15%	\$176,945	16%	(\$148,076)	993,252	(\$118,988)	\$879,267	
360	COMM/REC CTR IMPACT FUND	\$83,530	100,240	15%	5,812	3%	\$94,428		\$177,958	\$177,958	
TOTAL CAPITAL PROJECT FUNDS		\$44,046,843	\$27,862,537	74%	\$20,992,428	30%	\$6,870,109	\$13,817,939	\$37,099,013	\$33,082,716	\$17,846,098
441	POLICE FACILITY BOND DEBT	\$456,374	496,781	n/a	483,779		\$13,002		\$469,376	(\$45,481)	\$514,858
545	COCHRANE BUSINESS PARK	\$372,751	90,439	40%	195,399	96%	(\$104,960)		\$267,791	\$86,841	\$180,950
551	JOLEEN WAY	\$34,671	\$14,796	40%	\$35,206	96%	(\$20,410)		\$14,261	(\$2,988)	\$17,250
TOTAL DEBT SERVICE FUNDS		\$863,796	\$602,016	83%	\$714,384	100%	(\$112,368)		\$751,428	\$38,371	\$713,058



City of Morgan Hill
Fund Activity Summary - Fiscal Year 2005/06
For the Month of April 2006
83% of Year Completed

Fund No.	Fund	Fund Balance 06-30-05	Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved ¹	Unreserved	Unrestricted	Restricted ²
640	SEWER OPERATIONS	\$13,448,714	\$4,642,264	78%	\$5,798,941	85%	(\$1,156,677)	\$10,698,427	\$1,593,610	\$1,313,219	\$1,895,290
641	SEWER IMPACT FUND	11,397,916	\$2,418,510	127%	\$2,124,570	62%	\$293,940	5,017,542	\$6,674,314		\$6,871,279
642	SEWER RATE STABILIZATION	\$4,573,148	\$598,789	502%	\$1,762	83%	\$597,027		\$5,170,175	\$5,170,175	
643	SEWER-CAPITAL PROJECTS	9,525,501	\$39,995	14%	\$850,543	80%	(\$810,548)	7,684,127	\$1,030,826	\$1,129,867	
650	WATER OPERATIONS	\$23,612,699	\$6,527,103	85%	\$6,202,907	69%	\$324,196	\$19,907,423	\$4,029,472	\$3,848,951	\$390,187
651	WATER IMPACT FUND	3,666,471	\$529,454	93%	\$1,087,858	50%	(\$558,404)	3,350,171	(\$242,105)		\$3,273,617
652	WATER RATE STABILIZATION	\$26,896	\$589,429	84%	\$410	83%	\$589,019		\$615,915	\$615,915	
653	WATER -CAPITAL PROJECT	9,084,344	\$94,620	32%	\$1,313,063	55%	(\$1,218,443)	6,437,057	\$1,428,846	\$2,212,942	\$216,696
TOTAL ENTERPRISE FUNDS		\$75,335,689	\$15,440,164	88%	\$17,380,054	70%	(\$1,939,890)	\$53,094,748	\$20,301,052	\$14,291,069	\$12,647,068
730	DATA PROCESSING	482,422	\$211,834	83%	\$165,351	48%	\$46,483	353,897	\$175,008	\$317,340	
740	BUILDING MAINTENANCE	1,045,710	\$1,388,618	83%	\$1,041,056	75%	\$347,562	43,746	\$1,349,526	\$1,433,149	
745	CIP ADMINISTRATION	23,328	\$1,024,927	72%	\$1,039,348	74%	(\$14,421)	61,071	(\$52,164)	\$94,400	
760	UNEMPLOYMENT INS.	\$32,787	\$48,589	83%	\$7,592	14%	\$40,997		\$73,784	\$73,784	
770	WORKER'S COMP.	293,995	\$847,773	92%	\$327,306	43%	\$520,467	-	\$814,462	\$1,268,151	\$40,000
790	EQUIPMENT REPLACEMENT	3,515,756	\$451,429	82%	\$197,013	41%	\$254,416	547,150	\$3,223,022	\$3,268,558	
793	CORPORATION YARD	245,860	\$45,699	29%	\$78,247	na	(\$32,548)	256,546	(\$43,234)	\$815	
795	GEN'L LIABILITY INS.	\$770,280	\$446,520	88%	\$327,953	68%	\$118,567		\$888,847	\$951,921	
TOTAL INTERNAL SERVICE FUNDS		\$6,410,138	\$4,465,389	81%	\$3,183,866	63%	\$1,281,523		\$6,429,251	\$7,408,119	\$40,000
820	SPECIAL DEPOSITS									\$1,344,612	
843	M.H. BUS. RANCH 1998	\$1,548,382	\$475,869	81%	\$871,333	100%	(\$395,464)		\$1,152,918	\$254,835	\$898,083
844,842,841	MH RANCH RSMNT 2004A	\$1,051,368	591,777		\$903,511	102%	(\$311,734)		\$739,634	\$122,755	\$616,878
845,846	MADRONE BP-A/B	\$1,129,698	\$1,068,106		\$1,190,240	224%	(\$122,134)		\$1,007,564	(\$40,768)	\$1,048,331
848	TENNANT AVE.BUS.PK A.D.	\$470,489	\$12,394	81%	\$8,917	na	\$3,477		\$473,966	\$473,965	
881	POLICE DONATION TRUST FUND	\$22,028	\$522	81%	\$4,227	na	(\$3,705)		\$18,323		\$18,324
TOTAL AGENCY FUNDS		\$4,221,965	\$2,148,668	91%	\$2,978,228	129%	(\$829,560)		\$3,392,405	\$2,155,399	\$2,581,617
SUMMARY BY FUND TYPE											
GENERAL FUND GROUP		\$9,954,606	\$15,582,820	83%	\$16,676,087	82%	(\$1,093,267)	\$481,610	\$8,379,729	\$8,900,991	\$6,112
SPECIAL REVENUE GROUP		\$8,767,006	\$4,847,754	51%	\$5,365,560	42%	(\$517,806)	\$1,345,792	\$6,903,408	\$8,422,160	
DEBT SERVICE GROUP		\$863,796	\$602,016	83%	\$714,384	100%	(\$112,368)		\$751,428	\$38,371	\$713,058
CAPITAL PROJECTS GROUP		\$44,046,843	\$27,862,537	74%	\$20,992,428	30%	\$6,870,109	\$13,817,939	\$37,099,013	\$33,082,716	\$17,846,098
ENTERPRISE GROUP		\$75,335,689	\$15,440,164	88%	\$17,380,054	70%	(\$1,939,890)	\$53,094,748	\$20,301,052	\$14,291,069	\$12,647,068
INTERNAL SERVICE GROUP		\$6,410,138	\$4,465,389	81%	\$3,183,866	63%	\$1,281,523		\$6,429,251	\$7,408,119	\$40,000
AGENCY GROUP		\$4,221,965	\$2,148,668	91%	\$2,978,228	129%	(\$829,560)		\$3,392,405	\$2,155,399	\$2,581,617
TOTAL ALL GROUPS		\$149,600,043	\$70,949,348	77%	\$67,290,607	50%	\$3,658,741	\$68,740,089	\$83,256,286	\$74,298,827	\$33,833,953
TOTAL CASH AND INVESTMENTS										\$108,132,780	

For Enterprise Funds - Unrestricted fund balance = Fund balance net of fixed assets and long-term liabilities.

¹ Amount restricted for encumbrances, fixed asset replacement, long-term receivables, and bond reserves.

² Amount restricted for debt service payments and AB1600 capital expansion projects as detailed in the City's five year CIP Plan and bond agreements.



CITY OF MORGAN HILL CASH AND INVESTMENT REPORT
FOR THE MONTH OF April 2006
FOR THE FISCAL YEAR OF 2005-06

	Invested in Fund	Yield	Book Value End of Month	Investment Category Subtotal at Cost	% of Total	Market Value
Investments						
State Treasurer LAIF - City	All Funds Pooled	4.31%	\$23,579,928		21.81%	\$23,523,159
- RDA	RDA	4.31%	\$8,315,952		7.69%	\$8,295,931
Federal Issues	All Funds Pooled	3.20%	\$64,247,408		59.41%	\$62,707,300
SVNB CD	All Funds Pooled	3.60%	\$2,000,000		1.85%	\$2,000,000
Money Market	All Funds Pooled	4.29%	\$584	\$98,143,872	0.00%	\$584
Bond Reserve Accounts - held by trustees						
BNY - 2002 SCRWA Bonds						
MBIA Repurchase & Custody Agmt	Sewer	4.78%	\$1,849,400			
Blackrock Provident Temp Fund		4.32%	\$45,891		1.75%	\$1,895,291
US Bank - 1999 Water C.O.P.						
First American Treasury	Water	4.18%	\$390,187		0.36%	\$396,623
BNY - MH Water Revenue Bonds						
Blackrock Liquidity Temp Fund	Water	4.43%	\$35,054		0.03%	\$35,054
FHLB		4.50%	\$687,267		0.64%	\$700,188
Morgan Stanley Repurchase Agreement		1.64%	\$1,041,779		0.96%	\$1,041,779
BNY - MH Police Facility Lease Revenue Bonds						
JP Morgan Treasury Plus	Debt Service	4.19%	\$62,879		0.48%	\$62,879
FNMA	Public Facility	4.26%	\$452,130			\$457,000
US Bank - MH Ranch 98						
First American Treasury Obligation	Agency Fund	3.94%	\$898,083		0.83%	\$898,083
BNY - Madrone Bus Park Tax Exempt						
Blackrock Liquidity Temp Fund #20	Madrone Bus Park	3.94%	\$973,264		0.90%	\$973,264
BNY - Madrone Bus Park Taxable						
Blackrock Liquidity Temp Fund #20	Madrone Bus Park	3.94%	\$75,876		0.07%	\$75,876
BNY - MH Ranch 2004 A						
Blackrock Provident Temp Fund	MH Ranch Bus Park	4.32%	\$616,878	\$7,128,688	0.57%	\$616,878
Other Accounts/Deposits						
General Checking	All Funds		\$715,450		0.66%	\$715,450
Dreyfuss Treas Cash Management Account	All Funds		\$1,953,088		1.81%	\$1,953,088
Borel Bank - Cash in Escrow Account	Streets/Pub Fac	0.90%	\$145,570		0.13%	\$145,570 *
Athens Administrators Workers' Comp	Workers' Comp		\$40,000		0.04%	\$40,000
Petty Cash & Emergency Cash	Various Funds		\$6,112	\$2,860,220	0.01%	\$6,112

Total Cash and Investments		<u>\$108,132,780</u>	<u>\$108,132,780</u>	<u>100.00%</u>	<u>\$106,540,109</u>
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MH Financing Authority Investment in	1.75% to		
MH Ranch AD Imprvmt Bond Series 2004	4.50%	<u>\$4,795,000</u>	<u>Unavailable</u>
MH Madrone Bus Park Bond Series A	5.82%	<u>\$8,620,000</u>	<u>Unavailable</u>
MH Madrone Bus Park Bond Series B	7.07%	<u>\$1,110,000</u>	<u>Unavailable</u>

CASH ACTIVITY SUMMARY
FY 05/06

Fund Type	07/01/05 Balance	Change in Cash Balance	04/30/06 Balance	Restricted	Unrestricted
General Fund	\$10,455,185	(\$1,548,082)	\$8,907,103	\$6,112	\$8,900,991
Community Development	\$2,484,637	(\$251,010)	\$2,233,627	\$0	\$2,233,627
RDA (except Housing)	\$12,565,424	\$2,281,360	\$14,846,784	\$0	\$14,846,784
Housing / CDBG	\$7,048,619	\$894,505	\$7,943,124	\$0	\$7,943,124
Water - Operations	\$4,039,659	\$199,479	\$4,239,138	\$390,187	\$3,848,951
Water Other	\$7,876,280	(\$1,557,109)	\$6,319,171	\$3,490,313	\$2,828,858
Sewer - Operations	\$4,352,715	(\$1,144,206)	\$3,208,509	\$1,895,290	\$1,313,219
Sewer Other	\$13,685,930	(\$514,609)	\$13,171,321	\$6,871,279	\$6,300,042
Other Special Revenue	\$4,926,444	\$555,840	\$5,482,284	\$0	\$5,482,284
Streets and Capital Projects (except RDA)	\$26,522,147	\$2,323,009	\$28,845,156	\$17,846,098	\$10,999,058
Assessment Districts/Debt Service	\$862,668	(\$111,240)	\$751,428	\$713,057	\$38,371
Internal Service	\$6,597,707	\$850,412	\$7,448,119	\$40,000	\$7,408,119
Agency Funds	<u>\$5,329,847</u>	<u>(\$592,831)</u>	<u>\$4,737,016</u>	<u>\$2,581,617</u>	<u>\$2,155,399</u>
Total	<u>\$106,747,262</u>	<u>\$1,385,518</u>	<u>\$108,132,780</u>	<u>\$33,833,953</u>	<u>\$74,298,827</u>

Note: See Investment Portfolio Detail for maturities of "Investments." Market values are obtained from the City's investment brokers' monthly reports.
 * Market value as of 02/28/06

I certify the information on the investment reports on pages 6-8 has been reconciled to the general ledger and bank statements and that there are sufficient funds to meet the expenditure requirements of the City for the next six months. The portfolio is in compliance with the City of Morgan Hill investment policy and all State laws and regulations.

Prepared by: _____
 Lourdes Reroma
 Accountant I

Approved by: _____
 Jack Dilles
 Director of Finance

Verified by: _____
 Tina Reza
 Assistant Director of Finance

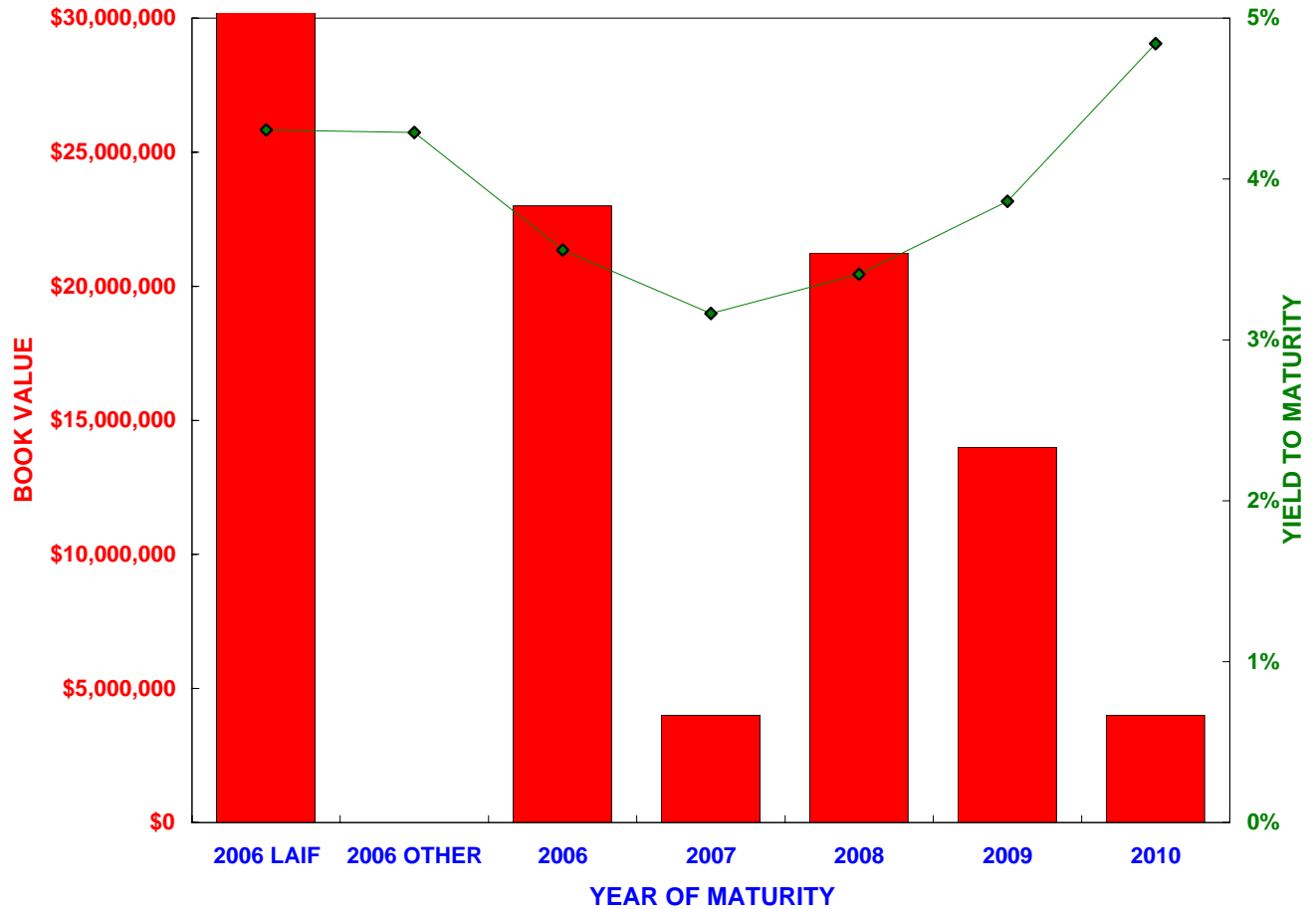
 Mike Roorda
 City Treasurer



CITY OF MORGAN HILL

INVESTMENT MATURITIES

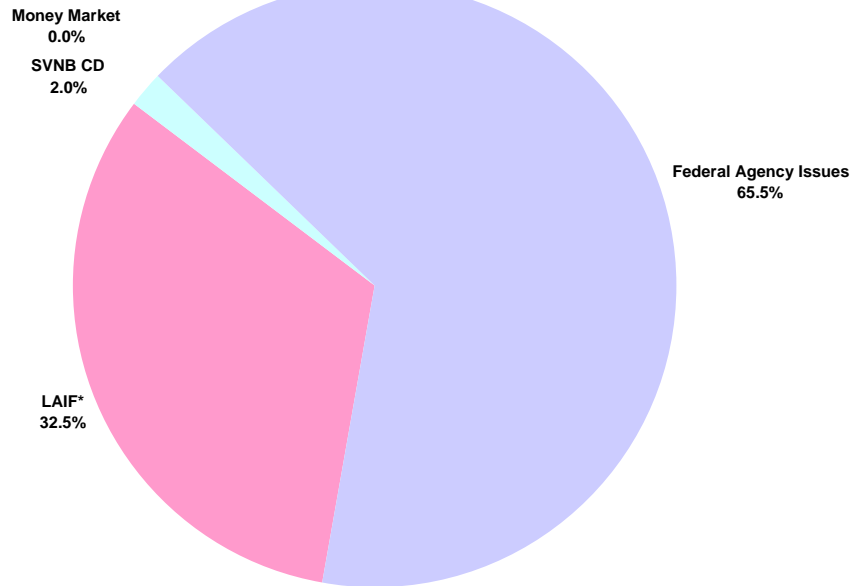
AS OF APRIL 30, 2006



YEAR OF MATURITY	BOOK VALUE	MARKET VALUE	AVERAGE RATE	% OF TOTAL
2006 LAIF	\$31,895,880	\$31,819,090	4.305%	32.50%
2006 OTHER	\$584	\$584	4.290%	0.00%
2006	\$22,999,763	\$22,884,050	3.559%	23.43%
2007	\$4,000,000	\$3,894,380	3.165%	4.08%
2008	\$21,247,645	\$20,514,470	3.408%	21.65%
2009	\$14,000,000	\$13,493,760	3.861%	14.26%
2010	\$4,000,000	\$3,920,640	4.843%	4.08%
TOTAL	\$98,143,873	\$96,526,974	3.848%	100.00%



CITY OF MORGAN HILL INVESTMENT PORTFOLIO DETAIL as of 04/30/06



Investment Type	Purchase Date	Book Value	% of Portfolio	Market Value	Stated Rate	Interest Earned	Next Call Date	Date of Maturity	Years to Maturity
LAIF*									
SVNB CD	07/07/05	\$2,000,000	2.04%	\$2,000,000	3.600%	\$59,600		07/06/07	1.184
Federal Agency Issues									
Fed Home Loan Bank	02/26/04	\$2,000,000	2.04%	\$1,996,260	2.563%	\$51,990	05/26/06	05/26/06	0.068
Fed Home Loan Bank	10/26/05	\$4,000,000	4.08%	\$3,990,000	4.125%	\$87,033	07/26/06	07/26/06	0.236
Fed Home Loan Bank	11/29/04	\$2,000,000	2.04%	\$1,986,260	3.076%	\$51,494	05/28/06	08/28/06	0.326
Fed Home Loan Mgt Corp	11/30/04	\$2,000,000	2.04%	\$1,986,520	3.070%	\$51,112	08/30/06	08/30/06	0.332
Fed Home Loan Bank	03/08/05	\$1,999,763	2.04%	\$1,988,120	3.470%	\$58,450	06/08/06	09/08/06	0.356
Fed Home Loan Bank	12/15/04	\$2,000,000	2.04%	\$1,986,260	3.250%	\$54,167	06/15/06	09/15/06	0.375
Fed Home Loan Bank	03/15/05	\$1,000,000	1.02%	\$993,750	3.500%	\$29,198	06/15/06	09/15/06	0.375
Fed Home Loan Bank	12/29/05	\$4,000,000	4.08%	\$3,990,000	4.625%	\$62,514	09/29/06	09/29/06	0.414
Fed Home Loan Bank	03/29/04	\$2,000,000	2.04%	\$1,966,880	2.650%	\$44,215	12/29/06	12/29/06	0.663
Fed Home Loan Bank	03/18/04	\$2,000,000	2.04%	\$1,953,120	3.030%	\$50,555	06/18/06	06/18/07	1.132
Fed Home Loan Bank	03/29/04	\$2,000,000	2.04%	\$1,941,260	3.300%	\$55,060	09/28/06	12/28/07	1.660
Fed Home Loan Mgt Corp	03/12/03	\$2,000,000	2.04%	\$1,942,200	3.500%	\$58,397	09/12/06	03/12/08	1.866
Fed Home Loan Bank	03/26/03	\$2,000,000	2.04%	\$1,936,260	3.375%	\$56,311	anytime	03/26/08	1.904
Fed Home Loan Mgt Corp	04/16/03	\$2,000,000	2.04%	\$1,943,240	3.600%	\$60,000	10/16/06	04/16/08	1.962
Fed Home Loan Mgt Corp	04/17/03	\$1,997,645	2.04%	\$1,944,080	3.625%	\$62,515	10/17/06	04/17/08	1.964
Fed Farm Credit Bank	06/03/03	\$2,000,000	2.04%	\$1,923,760	3.210%	\$53,468	06/03/06	06/03/08	2.093
Fed Farm Credit Bank	06/12/03	\$2,000,000	2.04%	\$1,912,500	2.950%	\$49,129	07/30/06	06/12/08	2.118
Fed Home Loan Bank	07/30/03	\$2,000,000	2.04%	\$1,909,380	3.000%	\$49,890	07/30/06	07/30/08	2.249
Fed Home Loan Bank	07/30/03	\$2,000,000	2.04%	\$1,920,620	3.243%	\$54,380	07/30/06	07/30/08	2.249
Fed Home Loan Bank	07/30/03	\$2,000,000	2.04%	\$1,926,260	3.400%	\$56,541	07/30/06	07/30/08	2.249
Fed Home Loan Bank	08/14/03	\$1,250,000	1.27%	\$1,210,550	3.690%	\$38,353	05/14/06	08/14/08	2.290
Fed Home Loan Bank	10/15/03	\$2,000,000	2.04%	\$1,945,620	4.000%	\$33,333	anytime	10/15/08	2.460
Fed Farm Credit Bank	03/16/04	\$2,000,000	2.04%	\$1,919,380	3.650%	\$60,899	anytime	03/16/09	2.877
Fed Home Loan Bank	03/26/04	\$2,000,000	2.04%	\$1,936,880	4.000%	\$66,739	05/26/06	03/26/09	2.904
Fed Home Loan Bank	04/06/04	\$2,000,000	2.04%	\$1,916,880	3.625%	\$60,417	anytime	04/06/09	2.934
Fed Home Loan Bank	04/07/04	\$2,000,000	2.04%	\$1,915,620	3.600%	\$60,000	07/07/06	04/07/09	2.937
Fed National Mortgage	04/16/04	\$2,000,000	2.04%	\$1,923,120	3.750%	\$62,500	07/6/06	04/16/09	2.962
Fed Home Loan Bank	04/29/04	\$2,000,000	2.04%	\$1,921,880	3.750%	\$62,500	07/29/06	04/29/09	2.997
Fed Home Loan Bank	09/29/05	\$2,000,000	2.04%	\$1,960,000	4.650%	\$54,840	09/29/06	09/29/09	3.416
Fed Home Loan Bank	08/16/05	\$2,000,000	2.04%	\$1,969,380	4.875%	\$68,681	08/16/06	08/16/10	4.296
Fed Farm Credit Bank	08/30/05	\$2,000,000	2.04%	\$1,951,260	4.810%	\$64,308	09/07/07	09/07/10	4.356
Redeemed in FY 05/06						\$95,967			
Sub Total/Average		\$64,247,408	65.46%	\$62,707,300	3.204%	\$1,824,956			1.825
Money Market									
		\$584	0.00%	\$584	4.290%	\$29,140			0.003
TOTAL/AVERAGE		\$98,143,872	100.00%	\$96,526,974	3.848%	\$2,652,142			1.219

*Per State Treasurer Report dated 04/30/2006, LAIF had invested approximately 9% of its balance in Treasury Bills and Notes, 21% in CDs, 20% in Commercial Paper and Corporate Bonds, 0% in Banker's Acceptances and 50% in others.



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2005/06
For the Month of April 2006
83% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
010 GENERAL FUND							
<u>TAXES</u>							
Property Taxes - Secured/Unsecured/Prio	4,356,790	4,356,790	3,647,553	84%	3,104,026	543,527	18%
Supplemental Roll	176,280	176,280	311,767	177%	165,364	146,403	89%
Sales Tax	5,460,000	5,460,000	4,694,539	86%	3,976,693	717,846	18%
Public Safety Sales Tax	264,600	264,600	189,109	71%	180,292	8,817	5%
Transient Occupancy Taxes	974,560	974,560	759,246	78%	696,414	62,832	9%
Franchise (Refuse ,Cable ,PG&E)	1,030,700	1,030,700	872,507	85%	849,479	23,028	3%
Property Transfer Tax	378,525	378,525	341,099	90%	339,823	1,276	0%
TOTAL TAXES	12,641,455	12,641,455	10,815,820	86%	9,312,091	1,503,729	16%
<u>LICENSES/PERMITS</u>							
Business License	159,650	159,650	164,557	103%	156,650	7,907	5%
Other Permits	2,030	2,030	2,496	123%	41,333	(38,837)	-94%
TOTAL LICENSES/PERMITS	161,680	161,680	167,053	103%	197,983	(30,930)	-16%
<u>FINES AND PENALTIES</u>							
Parking Enforcement	10,000	10,000	17,413	174%	7,054	10,359	147%
City Code Enforcement	53,500	53,500	91,552	171%	49,230	42,322	86%
Business tax late fee/other fines	1,200	1,200	3,144	262%	1,445	1,699	118%
TOTAL FINES AND PENALTIES	64,700	64,700	112,109	173%	57,729	54,380	94%
<u>OTHER AGENCIES</u>							
Motor Vehicle in-Lieu	188,776	188,776	159,857	85%	192,973	(33,116)	-17%
Other Revenue - Other Agencies	246,400	246,400	153,465	62%	153,302	163	0%
TOTAL OTHER AGENCIES	435,176	435,176	313,322	72%	346,275	(32,953)	-10%
<u>CHARGES CURRENT SERVICES</u>							
False Alarm Charge	25,000	25,000	26,302	105%	19,171	7,131	37%
Business License Application Review	23,000	23,000	21,243	92%	21,773	(530)	-2%
Recreation Revenue	282,400	282,400	259,528	92%	326,216	(66,688)	-20%
Aquatics Revenue	1,265,400	1,265,400	836,110	66%	884,475	(48,365)	-5%
General Administration Overhead	1,791,375	1,791,375	1,492,814	83%	1,494,876	(2,062)	0%
Other Charges Current Services	503,650	503,650	239,761	48%	115,866	123,895	107%
TOTAL CURRENT SERVICES	3,890,825	3,890,825	2,875,758	74%	2,862,377	13,381	0%
<u>OTHER REVENUE</u>							
Use of money/property	438,750	438,750	579,674	132%	744,917	(165,243)	-22%
Recreation Rentals	484,250	484,250	247,522	51%		247,522	n/a
Other Revenues	163,600	163,600	124,242	76%	49,772	74,470	150%
TOTAL OTHER REVENUE	1,086,600	1,086,600	951,438	88%	794,689	156,749	20%
<u>TRANSFERS IN</u>							
Park Maintenance	125,000	125,000	93,750	75%	31,250	62,500	200%
Sewer Enterprise	41,200	41,200	34,333	83%	16,667	17,666	106%
Water Enterprise	20,000	20,000	16,667	83%	16,667	-	n/a
Public Safety	175,000	175,000	145,833	83%	145,833	-	n/a
Community Rec Center	85,665	85,665		n/a		-	n/a
HCD Block Grant	5,000	5,000	4,167	83%		4,167	n/a
Other Funds	-	-	52,570	n/a	40,083	12,487	31%
TOTAL TRANSFERS IN	451,865	451,865	347,320	77%	250,500	96,820	39%
TOTAL GENERAL FUND	18,732,301	18,732,301	15,582,820	83%	13,821,644	1,761,176	13%



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2005/06
For the Month of April 2006
83% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
SPECIAL REVENUE FUNDS							
<u>202 STREET MAINTENANCE</u>							
Gas Tax 2105 - 2107.5	699,600	699,600	442,652	63%	505,858	(63,206)	-12%
CIP Grants	3,325,000	3,325,000		n/a		-	n/a
Reimbursement of Expenses	26,000	26,000	66,970	258%		66,970	n/a
Transfers In	700,000	700,000	575,000	82%	525,000	50,000	10%
Project Reimbursement		-		n/a	355,168	(355,168)	-100%
Interest / Other Revenue/Other Charges	41,000	41,000	139,932	341%	38,836	101,096	260%
202 STREET MAINTENANCE	4,791,600	4,791,600	1,224,554	26%	1,424,862	(200,308)	-14%
<u>204/205 PUBLIC SAFETY TRUST</u>							
Interest Income	8,885	8,885	6,370	72%	6,997	(627)	-9%
Police Grant/SLEF	100,000	100,000	100,000	100%	101,200	(1,200)	-1%
204/205 PUBLIC SAFETY TRUST	108,885	108,885	106,370	98%	108,197	(1,827)	-2%
<u>206 COMMUNITY DEVELOPMENT</u>							
Building Fees	1,483,000	1,483,000	1,322,211	89%	1,614,163	(291,952)	-18%
Planning Fees	616,800	616,800	558,445	91%	606,486	(48,041)	-8%
Engineering Fees	875,000	875,000	569,528	65%	1,043,945	(474,417)	-45%
Other Revenue/Current Charges	48,620	48,620	65,451	135%	49,407	16,044	32%
Transfers	-	-		n/a	-	-	n/a
206 COMMUNITY DEVELOPMENT	3,023,420	3,023,420	2,515,635	83%	3,314,001	(798,366)	-24%
207 GENERAL PLAN UPDATE	145,286	225,286	216,979	96%	110,064	106,915	97%
<u>215 and 216 HCD BLOCK GRANT</u>							
HCD allocation	396,714	396,714	15,521	4%	30,820	(15,299)	-50%
CIP Grants	100,000	100,000		n/a			n/a
Interest Income/Other Revenue	1,460	1,460	813	56%	19,279	(18,466)	-96%
215 and 216 HCD BLOCK GRANT	498,174	498,174	16,334	3%	50,099	(33,765)	-67%
210 COMMUNITY CENTER	3,500	3,500	5,406	154%	44,376	(38,970)	-88%
225 ASSET SEIZURE	1,664	1,664	231	14%	17,074	(16,843)	-99%
229 LIGHTING AND LANDSCAPE	138,000	138,000	75,947	55%	69,738	6,209	9%
232 ENVIRONMENTAL PROGRAMS	533,050	565,050	370,972	66%	329,996	40,976	12%
234 MOBILE HOME PARK RENT STAB.	9,873	9,873	10,238	104%	8,936	1,302	15%
235 SENIOR HOUSING	6,890	6,890	6,585	96%	5,626	959	17%
236 HOUSING MITIGATION	140,000	140,000	260,218	186%	283,105	(22,887)	-8%
240 EMPLOYEE ASSISTANCE	42,768	42,768	23,541	55%	28,770	(5,229)	-18%
247 ENVIRONMENT REMEDIATION	8,500	8,500	14,744	173%	12,759	1,985	16%
TOTAL SPECIAL REVENUE FUNDS	9,451,610	9,563,610	4,847,754	51%	5,807,603	(959,849)	-17%



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2005/06
For the Month of April 2006
83% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
CAPITAL PROJECTS FUNDS							
301 PARK DEVELOPMENT	814,768	814,768	1,398,604	172%	950,487	448,117	47%
302 PARK MAINTENANCE	415,557	415,557	276,996	67%	594,551	(317,555)	-53%
303 LOCAL DRAINAGE	1,276,297	1,276,297	343,378	27%	592,989	(249,611)	-42%
304 LOCAL DRAINAGE/NON AB1600	356,795	356,795	226,175	63%	247,238	(21,063)	-9%
306 OPEN SPACE	170,972	170,972	251,143	147%	480,743	(229,600)	-48%
309 TRAFFIC MITIGATION	1,128,092	1,128,092	1,396,549	124%	892,198	504,351	57%
311 POLICE MITIGATION	105,743	105,743	86,104	81%	138,892	(52,788)	-38%
313 FIRE MITIGATION	195,345	195,345	173,508	89%	159,344	14,164	9%
317 RDA CAPITAL PROJECTS							
Property Taxes & Supplemental Roll	15,169,461	19,769,461	15,063,325	76%	14,208,727	854,598	6%
Loan Proceeds	4,500,000	4,500,000	716,235	16%		716,235	n/a
Interest Income, Rents	297,947	297,947	654,414	220%	162,781	491,633	302%
Bond Proceeds		3,600,000		n/a		-	n/a
Other Agencies/Current Charges/Transfer	-	-	1,176,588	n/a	340,314	836,274	246%
317 RDA CAPITAL PROJECTS	19,967,408	28,167,408	17,610,562	63%	14,711,822	2,898,740	20%
327/328 RDA L/M HOUSING							
Property Taxes & Supplemental Roll	4,402,175	4,402,175	4,421,456	100%	4,072,852	348,604	9%
Interest Income, Rent	10,450	10,450	351,643	3365%	193,954	157,689	81%
Transfers/Other	-	-	405,155		1,631	403,524	24741%
327/328 RDA L/M HOUSING	4,412,625	4,412,625	5,178,254	117%	4,268,437	909,817	21%
346 PUBLIC FACILITIES NON-AB1600	228,008	228,008	364,618	160%	7,070,923	(6,706,305)	-95%
347 PUBLIC FACILITIES	77,720	77,720	255,395	329%	109,441	145,954	133%
348 LIBRARY	123,155	123,155	171,422	139%	76,684	94,738	124%
350 UNDERGROUNDING	189,883	189,883	28,869	15%	174,911	(146,042)	-83%
340/342 MH BUS.RANCH CIP I & II	3,145	3,145	720	23%	1,561	(841)	-54%
360 COMMUNITY/REC IMPACT FUND	80,719	80,719	100,240	124%	61,466	38,774	63%
TOTAL CAPITAL PROJECTS FUNDS	29,546,232	37,746,232	27,862,537	74%	30,531,687	(2,669,150)	-9%
DEBT SERVICE FUNDS							
441 POLICE FACILITY BOND	483,763	483,763	496,781	103%	578,688	(81,907)	-14%
536 ENCINO HILLS	-	-		n/a		-	n/a
539 MORGAN HILL BUSINESS PARK	-	-		n/a		-	n/a
542 SUTTER BUSINESS PARK	-	-		n/a		-	n/a
545 COCHRANE BUSINESS PARK	206,304	206,304	90,439	44%	109,624	(19,185)	-18%
551 JOLEEN WAY	37,016	37,016	14,796	40%	40,672	(25,876)	-64%
TOTAL DEBT SERVICE FUNDS	727,083	727,083	602,016	83%	728,984	(126,968)	-17%



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2005/06
For the Month of April 2006
83% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
ENTERPRISE FUNDS							
640 SEWER OPERATION							
Sewer Service Fees	5,600,535	5,600,535	4,380,181	78%	4,390,482	(10,301)	0%
Interest Income	191,414	191,414	124,759	65%	94,106	30,653	33%
Other Revenue/Current Charges	142,600	142,600	137,324	96%	135,218	2,106	2%
640 SEWER OPERATION	5,934,549	5,934,549	4,642,264	78%	4,619,806	22,458	0%
641 SEWER EXPANSION							
Interest Income	345,048	345,048	177,465	51%	144,536	32,929	23%
Connection Fees	1,560,000	1,560,000	2,240,385	144%	1,733,925	506,460	29%
Other	-	-	660	n/a	659	1	0%
641 SEWER EXPANSION	1,905,048	1,905,048	2,418,510	127%	1,879,120	539,390	29%
642 SEWER RATE STABILIZATION	119,167	119,167	598,789	502%	88,927	509,862	573%
643 SEWER-CAPITAL PROJECT	294,560	294,560	39,995	14%	52,385	(12,390)	-24%
TOTAL SEWER FUNDS	8,253,324	8,253,324	7,699,558	93%	6,640,238	1,059,320	16%
650 WATER OPERATION							
Water Sales	6,229,900	6,229,900	5,280,583	85%	4,933,880	346,703	7%
Meter Install & Service	70,000	70,000	47,880	68%	101,176	(53,296)	-53%
Transfers-In, and Interest Income	472,202	472,202	311,005	66%	114,086	196,919	173%
Other Revenue/Current Charges	879,500	879,500	887,635	101%	588,996	298,639	51%
650 WATER OPERATION	7,651,602	7,651,602	6,527,103	85%	5,738,138	788,965	14%
651 WATER EXPANSION							
Interest Income/Other Revenue/Transfer	207,076	207,076	107,744	52%	5,435,806	(5,328,062)	-98%
Water Connection Fees	362,000	362,000	421,710	116%	371,254	50,456	14%
651 WATER EXPANSION	569,076	569,076	529,454	93%	5,807,060	(5,277,606)	-91%
652 Water Rate Stabilization	702,000	702,000	589,429	84%	590	588,839	99803%
653 Water Capital Project	297,217	297,217	94,620	32%	2,473,371	(2,378,751)	-96%
TOTAL WATER FUNDS	9,219,895	9,219,895	7,740,606	84%	14,019,159	(6,278,553)	-45%
TOTAL ENTERPRISE FUNDS	17,473,219	17,473,219	15,440,164	88%	20,659,397	(5,219,233)	-25%
INTERNAL SERVICE FUNDS							
730 INFORMATION SERVICES	254,202	254,202	211,834	83%	241,500	(29,666)	-12%
740 BUILDING MAINTENANCE SERVICES	1,666,477	1,666,477	1,388,618	83%	1,377,175	11,443	1%
745 CIP ADMINISTRATION	1,415,000	1,415,000	1,024,927	72%	970,233	54,694	6%
760 UNEMPLOYMENT INSURANCE	58,305	58,305	48,589	83%	30,243	18,346	61%
770 WORKERS COMPENSATION	920,509	920,509	847,773	92%	765,406	82,367	11%
790 EQUIPMENT REPLACEMENT	538,545	552,063	451,429	82%	320,578	130,851	41%
793 CORPORATION YARD COMMISSION	14,350	159,100	45,699	29%	61,135	(15,436)	-25%
795 GENERAL LIABILITY INSURANCE	506,470	506,470	446,520	88%	375,543	70,977	19%
TOTAL INTERNAL SERVICE FUNDS	5,373,858	5,532,126	4,465,389	81%	4,141,813	323,576	8%



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2005/06
For the Month of April 2006
83% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
AGENCY FUNDS							
843 M.H. BUS.RANCH 1998	898,976	898,976	475,869	53%	678,847	(202,978)	-30%
844,842,841 M.H. RANCH REFUNDING 2004	612,433	900,619	591,777	66%	1,041,532	(449,755)	-43%
845,846 MADRONE BP-A/B	553,771	553,771	1,068,106	193%	598,244	469,862	79%
848 TENNANT AVE.BUS.PK A.D.	12,909	12,909	12,394	96%	37,242	(24,848)	-67%
881 POLICE DONATION TRUST FUND	642	642	522	81%	476	46	10%
TOTAL AGENCY FUNDS	2,078,731	2,366,917	2,148,668	91%	2,356,341	(207,673)	-9%
TOTAL FOR ALL FUNDS	83,383,034	92,141,488	70,949,348	77%	78,047,469	(5,083,376)	-7%



City of Morgan Hill
Year to Date Expenses - Fiscal Year 2005/06
For the Month of April 2006
83% of Year Completed

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET	PRIOR YTD
010 GENERAL FUND								
I. GENERAL GOVERNMENT								
	COUNCIL AND MISCELLANEOUS GOVT.							
	City Council	11,561	207,749	144,993	2,886	147,879	71%	165,277
	Community Promotions	1,409	52,882	37,246	-	37,246	70%	13,248
	COUNCIL AND MISCELLANEOUS GOVT.	12,970	260,631	182,239	2,886	185,125	71%	178,525
	CITY ATTORNEY	20,248	721,690	609,867	265,873	875,740	121%	746,112
	CITY MANAGER							
	City Manager	24,068	330,948	278,077		278,077	84%	261,931
	Cable Television	899	37,611	25,721	4,353	30,074	80%	37,873
	Communications & Marketing	13,739	181,792	157,583	8,640	166,223	91%	49,074
	CITY MANAGER	38,706	550,351	461,381	12,993	474,374	86%	348,878
	RECREATION							
	Recreation	22,281	311,071	179,354	418	179,772	58%	235,911
	Community & Cultural Center	101,519	1,280,015	1,028,874	116,770	1,145,644	90%	923,907
	Aquatics Center	94,789	1,403,838	1,152,246	10,992	1,163,238	83%	1,206,490
	Indoor Recreation Center	128	97,665	12,588	-	12,588	13%	-
	RECREATION	218,717	3,092,589	2,373,062	128,180	2,501,242	81%	2,366,308
	HUMAN RESOURCES							
	Human Resources	33,318	488,604	394,314	-	394,314	81%	453,883
	HUMAN RESOURCES	33,318	488,604	394,314	-	394,314	81%	453,883
	COUNCIL SERV & RECORDS MGMT							
	Council Serv & Records Mgmt	18,196	258,991	207,764		207,764	80%	214,202
	Elections	3,524	123,788	38,428	-	38,428	31%	79,170
	CITY CLERK	21,720	382,779	246,192	-	246,192	64%	293,372
	FINANCE	69,444	982,085	800,488	1,591	802,079	82%	748,119
	TOTAL GENERAL GOVERNMENT	415,123	6,478,729	5,067,543	411,523	5,479,066	85%	5,135,197
II. PUBLIC SAFETY								
	POLICE							
	PD Administration	25,336	812,406	705,966		705,966	87%	542,740
	Field Operations	369,392	4,236,902	3,948,834	22,560	3,971,394	94%	3,354,345
	Support Services	84,242	1,040,162	805,597		805,597	77%	714,501
	Emergency Services/Haz Mat	4,938	53,507	37,389	-	37,389	70%	14,426
	Special Operations	125,088	1,486,523	1,153,491	3,733	1,157,224	78%	1,117,644
	Animal Control	7,905	102,859	73,696		73,696	72%	74,349
	Dispatch Services	78,929	1,082,981	725,572	6	725,578	67%	701,889
	POLICE	695,830	8,815,340	7,450,545	26,299	7,476,844	85%	6,519,894
	FIRE	379,091	4,377,495	3,618,180	26,563	3,644,743	83%	3,495,424
	TOTAL PUBLIC SAFETY	1,074,921	13,192,835	11,068,725	52,862	11,121,587	84%	10,015,318
III. COMMUNITY IMPROVEMENT								
	PARK MAINTENANCE	37,662	711,485	531,486	17,225	548,711	77%	530,138
	TOTAL COMMUNITY IMPROVEMENT	37,662	711,485	531,486	17,225	548,711	77%	530,138



City of Morgan Hill
Year to Date Expenses - Fiscal Year 2005/06
For the Month of April 2006
83% of Year Completed

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET	PRIOR YTD
IV. TRANSFERS								
	General Plan Update	833	10,000	8,333	-	8,333	83%	
	Other							90,692
	TOTAL TRANSFERS	833	10,000	8,333	-	8,333	83%	90,692
	TOTAL GENERAL FUND	1,528,539	20,393,049	16,676,087	481,610	17,157,697	84%	15,771,345
SPECIAL REVENUE FUNDS								
202 STREET MAINTENANCE								
	Street Maintenance/Traffic	117,062	1,909,134	1,323,751	60,909	1,384,660	73%	1,314,020
	Congestion Management	15,226	84,994	62,040	-	62,040	73%	59,021
	Street CIP	35,768	3,505,127	455,839	201,147	656,986	19%	286,308
	202 STREET MAINTENANCE	168,056	5,499,255	1,841,630	262,056	2,103,686	38%	1,659,349
204/205	PUBLIC SAFETY/SUPP.LAW	14,627	175,519	146,266		146,266	83%	146,267
206 COMMUNITY DEVELOPMENT FUND								
	Planning	91,379	1,323,007	963,219	77,132	1,040,351	79%	951,030
	Building	76,676	1,205,323	905,945	57,299	963,244	80%	718,964
	PW-Engineering	88,075	1,188,372	866,235	106,998	973,233	82%	773,379
	206 COMMUNITY DEVELOPMENT FUND	256,130	3,716,702	2,735,399	241,429	2,976,828	80%	2,443,373
207	GENERAL PLAN UPDATE	14,818	353,205	67,474	47,854	115,328	33%	28,211
210	COMMUNITY CENTER		85,665			-	n/a	
215/216	CDBG	6,798	633,529	103,192	228,002	331,194	52%	118,730
225	ASSET SEIZURE		-	300		300	n/a	45,794
229	LIGHTING AND LANDSCAPE	7,177	136,103	124,659	19,364	144,023	106%	102,851
232	ENVIRONMENT PROGRAMS	59,765	479,055	298,195	60,648	358,843	75%	248,688
234	MOBILE HOME PARK	124	4,832	1,235		1,235	26%	10,765
235	SENIOR HOUSING TRUST FUND		80,700	3,275		3,275	4%	3,806
236	HOUSING MITIGATION FUND	6,827	1,315,000	13,179	1,821	15,000	1%	15,000
240	EMPLOYEE ASSISTANCE	2,871	57,500	25,076	-	25,076	44%	33,323
247	ENVIRONMENT REMEDIATION FUND		152,500	5,680	-	5,680	4%	
	TOTAL SPECIAL REVENUE FUNDS	537,193	12,689,565	5,365,560	861,174	6,226,734	49%	4,856,157
CAPITAL PROJECT FUNDS								
301	PARK DEVELOPMENT	1,834	3,621,811	124,323	141,544	265,867	7%	72,954
302	PARK MAINTENANCE	48,032	690,312	127,601	3,812	131,413	19%	31,883
303	LOCAL DRAINAGE	128	1,911,534	12,117		12,117	1%	1,280
304	LOCAL DRAIN. NON-AB1600	6,975	1,277,666	366,264	139,604	505,868	40%	66,516
306	OPEN SPACE			2,139		2,139	n/a	1,569
309	TRAFFIC MITIGATION	60,050	2,133,232	497,878	657,124	1,155,002	54%	419,162
311	POLICE MITIGATION	(25,163)	260,887	217,448	10,000	227,448	87%	69,831
313	FIRE MITIGATION	115	526,378	1,148		1,148	0%	1,150
317	RDA BUSINESS ASSISTANCE	1,657,091	46,432,852	14,911,593	10,922,366	25,833,959	56%	6,438,187
327/328	RDA HOUSING	110,536	10,209,748	4,130,286	306,104	4,436,390	43%	2,853,884
340/342	MH BUS RANCH CIP					-	n/a	74,212
346	PUBLIC FAC.NON AB1600	179,817	623,698	353,342	353,084	706,426	113%	6,981,055
347	PUBLIC FACILITIES	6,536	71,363	65,364	-	65,364	92%	1,138
348	LIBRARY IMPACT	17	650,202	168		168	0%	168
350	UNDERGROUNDING	101,200	1,094,347	176,945	993,252	1,170,197	107%	84,351
360	COMM/REC CTR IMPACT	175	180,000	5,812		5,812	3%	
	TOTAL CAPITAL PROJECTS FUNDS	2,147,343	69,684,030	20,992,428	13,526,890	34,519,318	50%	17,097,340



City of Morgan Hill
Year to Date Expenses - Fiscal Year 2005/06
For the Month of April 2006
83% of Year Completed

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET	PRIOR YTD
DEBT SERVICE FUNDS								
441	POLICE FACILITY BOND DEBT	3	483,763	483,779	-	483,779	100%	122,336
545	COCHRANE BUS. PARK A.D.	3,945	194,625	195,399	-	195,399	100%	191,532
551	JOLEEN WAY A.D.	561	36,487	35,206	-	35,206	96%	38,172
TOTAL DEBT SERVICE FUNDS		4,509	714,875	714,384	-	714,384	100%	352,040
ENTERPRISE FUNDS								
SEWER								
640	SEWER OPERATION	231,532	6,843,978	5,798,941	97,452	5,896,393	86%	5,443,074
641	CAPITAL EXPANSION	225,940	3,413,501	2,124,570	336,049	2,460,619	72%	691,424
642	SEWER RATE STABILIZATION	176	2,114	1,762		1,762	83%	1,764
643	SEWER-CAPITAL PROJECTS	36,643	1,064,115	850,543	99,041	949,584	89%	649,932
TOTAL SEWER FUND(S)		494,291	11,323,708	8,775,816	532,542	9,308,358	82%	6,786,194
WATER								
	Water Operations Division	413,078	7,588,129	5,188,956	283,217	5,472,173	72%	4,453,067
	Meter Reading/Repair	110,278	781,457	616,513	73,591	690,104	88%	508,491
	Utility Billing	30,085	460,975	345,770	10,527	356,297	77%	321,622
	Water Conservation	5,909	124,707	51,668	50,887	102,555	82%	40,374
650	WATER OPERATIONS	559,350	8,955,268	6,202,907	418,222	6,621,129	74%	5,323,554
651	CAPITAL EXPANSION	256,148	2,154,644	1,087,858	222,210	1,310,068	61%	801,813
652	WATER RATE STABILIZATION	41	492	410		410	83%	411
653	WATER-CAPITAL PROJECTS	131,346	2,370,904	1,313,063	775,320	2,088,383	88%	731,965
TOTAL WATER FUND(S)		946,885	13,481,308	8,604,238	1,415,752	10,019,990	74%	6,857,743
TOTAL ENTERPRISE FUNDS		1,441,176	24,805,016	17,380,054	1,948,294	19,328,348	78%	13,643,937
INTERNAL SERVICE FUNDS								
730	INFORMATION SERVICES	2,768	345,465	165,351	140,227	305,578	88%	307,147
740	BUILDING MAINTENANCE	97,194	1,383,291	1,041,056	43,746	1,084,802	78%	1,041,178
745	CIP ENGINEERING	88,734	1,398,174	1,039,348	51,459	1,090,807	78%	970,822
760	UNEMPLOYMENT		55,000	7,592		7,592	14%	26,829
770	WORKERS COMPENSATION	11,191	770,075	327,306	-	327,306	43%	559,055
790	EQUIPMENT REPLACEMENT	24,894	483,345	197,013	45,536	242,549	50%	95,675
793	CORP YARD COMMISSION	3,228	166,051	78,247	38,019	116,266	70%	96,407
795	GEN. LIABILITY INSURANCE	21,651	480,800	327,953		327,953	68%	489,717
TOTAL INTERNAL SERVICE FUNDS		249,660	5,082,201	3,183,866	318,987	3,502,853	69%	3,586,830
AGENCY FUNDS								
843	MORGAN HILL BUS RANCH 98	561	867,265	871,333		871,333	100%	867,790
844/841/842	MH RANCH RSMNT 2004A	77,907	883,769	903,511	-	903,511	102%	904,529
845/846	MADRONE BP A/B	4,261	530,702	1,190,240	-	1,190,240	224%	1,502,813
848	TENNANT AVE BUS PARK AD	3,870	6,727	8,917	-	8,917	133%	-
881	POLICE DONATION TRUST	-	13,010	4,227	-	4,227	32%	-
TOTAL AGENCY FUNDS		86,599	2,301,473	2,978,228	-	2,978,228	129%	3,275,132
REPORT TOTAL		5,995,019	135,670,209	67,290,607	17,136,955	84,427,562	62%	58,582,781



YTD INCOME STATEMENT FOR CURRENT AND PRIOR YEAR

	Sewer Operations				Water Operations			
	Budget	YTD	% of Budget	Prior YTD	Budget	YTD	% of Budget	Prior YTD
Operations								
Revenues								
Service Charges	\$ 5,600,535	\$ 4,380,181	78%	\$ 4,390,482	\$ 6,229,900	\$ 5,280,583	85%	\$ 4,933,880
Meter Install & Service					70,000	47,880	68%	101,176
Other	142,600	137,324	96%	135,218	879,500	930,501	106%	601,714
Total Operating Revenues	5,743,135	4,517,505	79%	4,525,700	7,179,400	6,258,964	87%	5,636,770
Expenses								
Operations	4,808,500	3,843,744	80%	3,712,445	6,026,686	4,072,979	68%	3,925,257
Meter Reading/Repair					781,457	616,513	79%	508,491
Utility Billing/Water Conservation					585,682	397,438	68%	361,996
Total Operating Expenses	4,808,500	3,843,744	80%	3,712,445	7,393,825	5,086,930	69%	4,795,744
Operating Income (Loss)	934,635	673,761		813,255	(214,425)	1,172,034		841,026
Nonoperating revenue (expense)								
Interest Income	191,414	124,759	65%	94,106	241,714	95,273	39%	101,368
Interest Expense/Debt Services	(558,790)	(558,790)	100%	(572,296)	(258,084)	(129,518)	50%	(134,848)
Principal Expense/Debt Services	(995,000)	(995,000)	100%	(975,000)	(173,359)	(44,792)	26%	(42,962)
Total Nonoperating revenue (expense)	(1,362,376)	(1,429,031)		(1,453,190)	(189,729)	(79,037)		(76,442)
Income before operating xfers	(427,741)	(755,270)		(639,935)	(404,154)	1,092,997		764,584
Operating transfers in	-	-		-	230,488	172,866	75%	
Operating transfers (out)	(481,688)	(401,407)	83%	(183,333)	(1,130,000)	(941,667)	83%	(350,000)
Net Income (Loss)	\$ (909,429)	\$ (1,156,677)		\$ (823,268)	\$ (1,303,666)	\$ 324,196		\$ 414,584



City of Morgan Hill
Balance Sheets - Water and Sewer Funds
For the Month of April 2006
83% of Year Completed

	Sewer Operations (640)	Sewer Expansion Stabilization Capital Projects (641-643)	Water Operations (650)	Water Expansion Stabilization Capital Projects (651-653)
ASSETS				
Cash and investments:				
Unrestricted	1,313,219	6,300,043	3,848,951	2,828,858
Restricted ¹	1,895,290	6,871,279	390,187	3,490,313
Accounts Receivable		8,177		588
Utility Receivables	687,049		817,291	
Less Allowance for Doubtful Accounts	(13,835)		(18,239)	
Notes Receivable ²		7,595	0	
Fixed Assets ³	29,628,818	12,497,964	23,851,712	12,694,522
Total Assets	33,510,540	25,685,057	28,889,902	19,014,281
LIABILITIES				
Accounts Payable and Accrued Liabilities	295,371	108,072	115,403	29,261
Deposits for Water Services & Other Deposits			84,906	
Deferred Revenue ⁴				
Bonds Payable	23,300,000		5,568,631	7,740,000
Discount on Bonds and Other Liabilities	(2,425,887)		(913,413)	(344,863)
Accrued Vacation and Comp Time	49,020		97,480	
Total liabilities	21,218,504	108,072	4,953,007	7,424,398
FUND EQUITY				
Contributed Capital	7,443,305		14,356,292	
Retained Earnings				
Reserved for:				
Noncurrent water/sewer assets & debt	8,705,685	12,497,964	19,099,014	5,299,385
Encumbrances	97,452	435,090	418,222	997,530
Notes Receivable		7,595		
Restricted Cash	1,895,290		390,187	3,490,313
Total Reserved Retained Earnings	10,698,427	12,940,649	19,907,423	9,787,228
Unreserved Retained Earnings	1,593,610	12,636,336	4,029,472	1,802,655
Total Fund Equity	12,292,036	25,576,985	23,936,895	11,589,883
Total Liabilities and Fund Equity	33,510,540	25,685,057	28,889,902	19,014,281

¹ Restricted for Bond Reserve requirements and capital expansion.

² Includes Note for Sewer Financing Agreements.

³ Includes Water and Sewer infrastructure and the City's share of the Wastewater treatment plant.

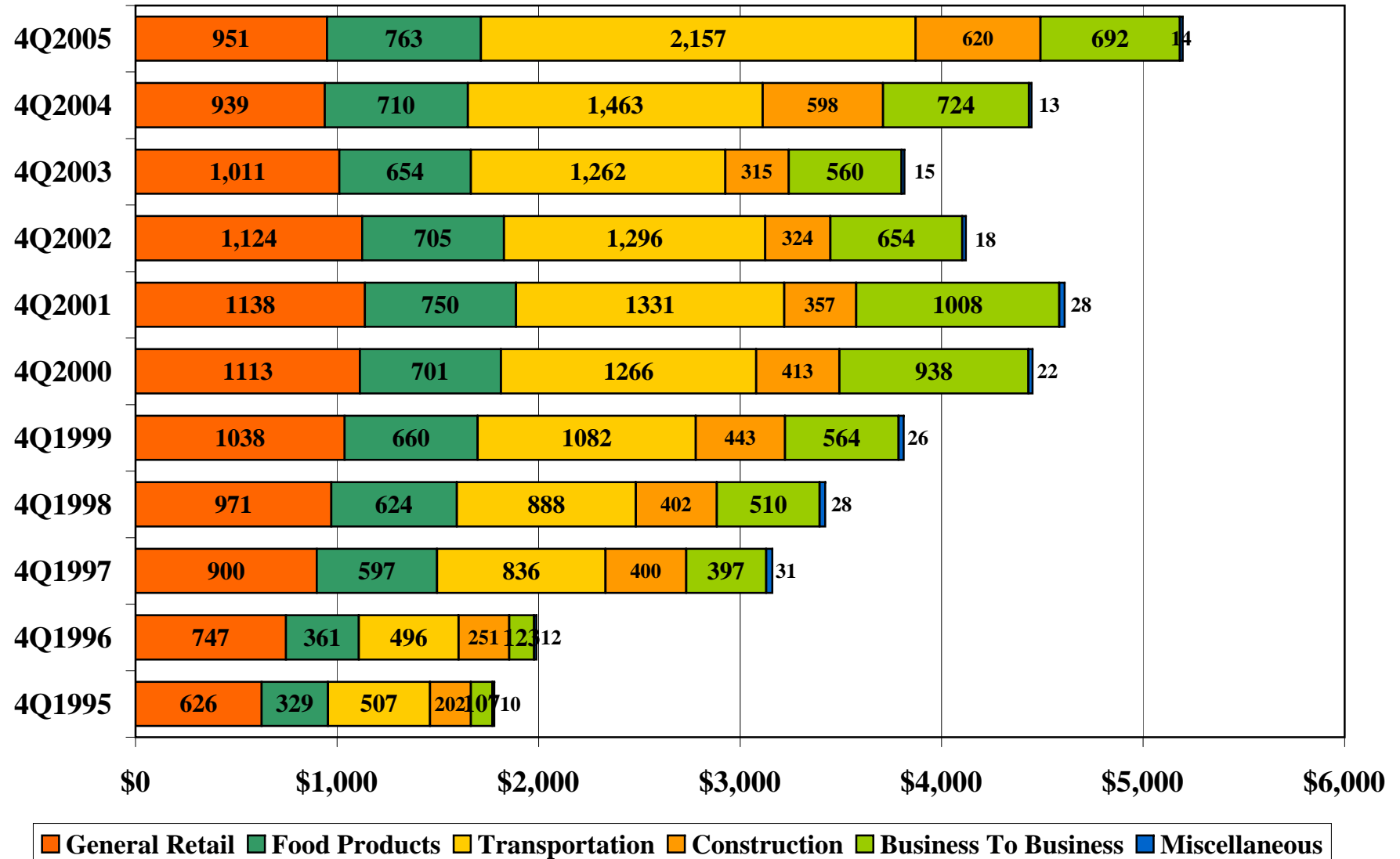
⁴ Includes the deferred payment portion of the loans noted above.



¹ Restricted for Petty Cash use, Bond Reserve requirements and sewer and water capital expansion.
² Includes Housing Rehab loans, Financing Agreements for Public Works Fees and loans for several housing and Agency projects.
³ Includes Water and Sewer infrastructure, the City's share of the Wastewater treatment plant and RDA properties held for resale.
⁴ Includes the deferred payment portion of the loans noted above.
⁵ Designated as a general reserve.

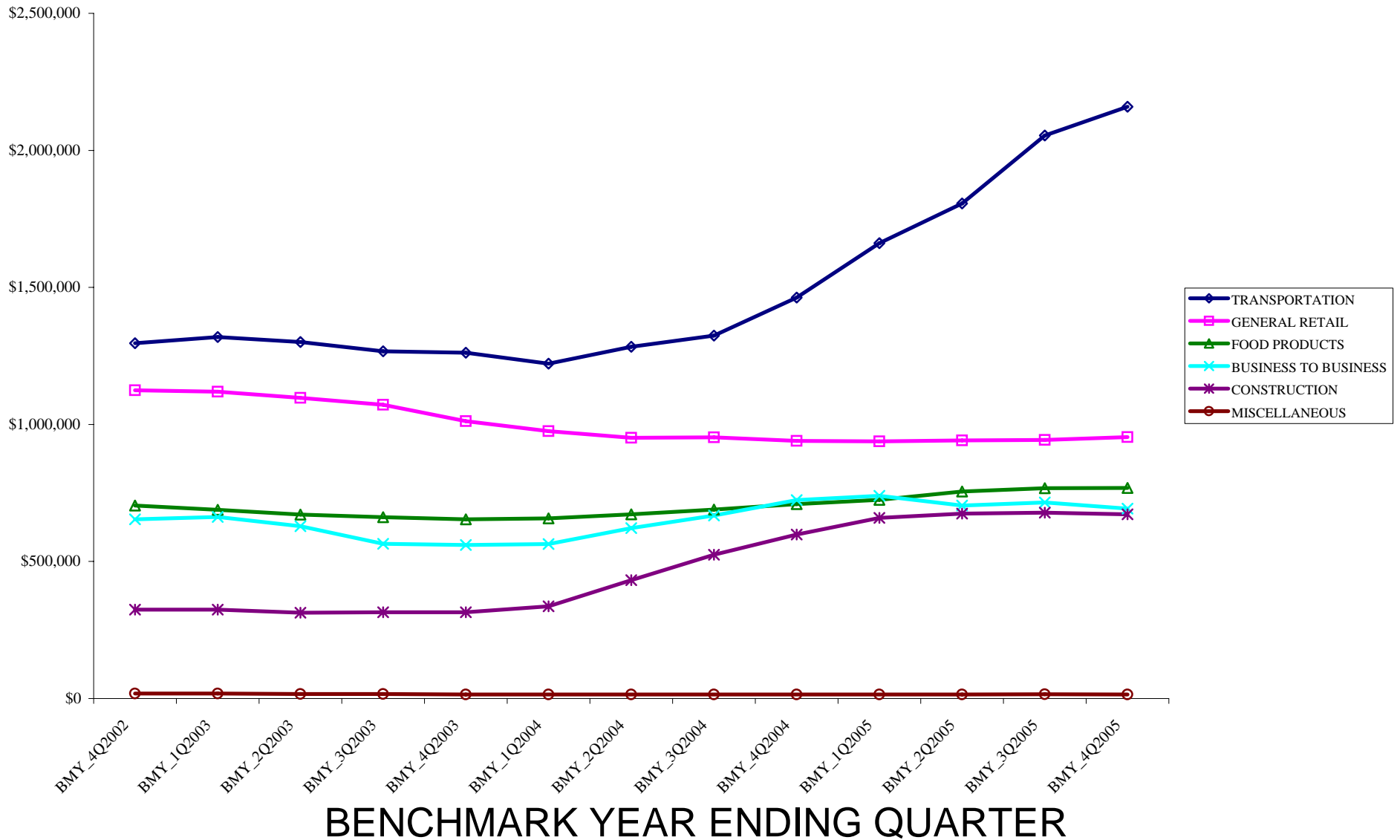
CITY OF MORGAN HILL ANNUAL SALES TAX BY BUSINESS CATEGORY

(in thousands of \$)



CITY OF MORGAN HILL

SALES TAX BY ECONOMIC CATEGORY



Sales Tax Revenue Analysis

Quarterly Sales Tax Revenues

Year	Q1	Q2	Q3	Q4	Total
2005	1,352,902	1,503,903	1,748,750	1,669,406	6,274,961
2004	1,008,820	1,303,824	1,288,347	1,471,834	5,072,825
2003	1,152,258	1,045,369	1,064,072	1,075,630	4,337,329
2002	1,066,129	1,224,131	1,172,571	1,158,608	4,621,439
2001	1,348,773	1,357,056	1,274,566	1,267,347	5,247,742
2000	1,139,868	1,285,566	1,250,633	1,408,160	5,084,227
1999	921,597	1,080,386	1,117,296	1,177,610	4,296,889
1998	861,449	977,685	971,007	1,017,725	3,827,866
1997	787,430	861,780	913,292	1,009,943	3,572,445
1996	726,088	799,526	851,152	846,916	3,223,682
1995	644,959	720,072	736,824	769,415	2,871,270
1994	693,039	704,331	753,364	733,555	2,884,289
Average ¹	\$ 975,276	1,071,969	1,095,156	1,133,846	4,276,247
Avg \$ Growth ¹	\$ 59,988	72,688	90,490	85,077	308,243
Avg % Growth ¹	8.7%	10.3%	12.0%	11.6%	10.7%

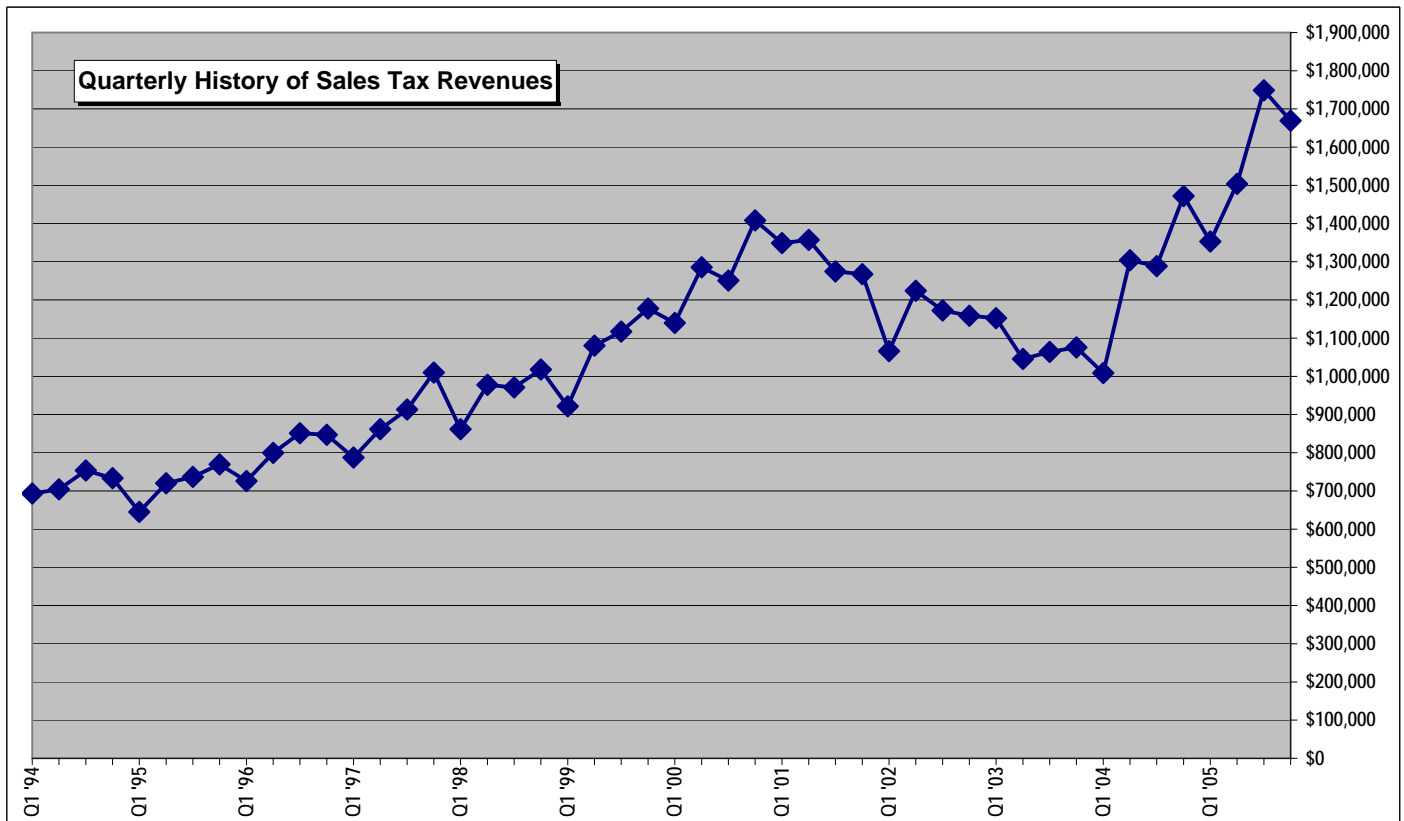
¹ Average from 1994 to 2005

Percent Increase/Decrease from Prior Year

Year	Q1	Q2	Q3	Q4	Total
2004 to 05	34.1%	15.3%	35.7%	13.4%	23.7%
2003 to 04	-12.4%	24.7%	21.1%	36.8%	17.0%
2002 to 03	8.1%	-14.6%	-9.3%	-7.2%	-6.1%
2001 to 02	-21.0%	-9.8%	-8.0%	-8.6%	-11.9%
2000 to 01	18.3%	5.6%	1.9%	-10.0%	3.2%
1999 to 00	23.7%	19.0%	11.9%	19.6%	18.3%
1998 to 99	7.0%	10.5%	15.1%	15.7%	12.3%
1997 to 98	9.4%	13.4%	6.3%	0.8%	7.1%
1996 to 97	8.4%	7.8%	7.3%	19.2%	10.8%
1995 to 96	12.6%	11.0%	15.5%	10.1%	12.3%
1994 to 95	-6.9%	2.2%	-2.2%	4.9%	-0.5%

Cumulative Quarterly Sales Tax as % of Annual Total

Year	Q1	Q1-Q2	Q1-Q3	Q1-Q4
2005	21.6%	45.5%	73.4%	100.0%
2004	19.9%	45.6%	71.0%	100.0%
2003	26.6%	50.7%	75.2%	100.0%
2002	23.1%	49.6%	74.9%	100.0%
2001	25.7%	51.6%	75.8%	100.0%
2000	22.4%	47.7%	72.3%	100.0%
1999	21.4%	46.6%	72.6%	100.0%
1998	22.5%	48.0%	73.4%	100.0%
1997	22.0%	46.2%	71.7%	100.0%
1996	22.5%	47.3%	73.7%	100.0%
1995	22.5%	47.5%	73.2%	100.0%
1994	24.0%	48.4%	74.6%	100.0%
Average	22.9%	47.9%	73.5%	100.0%





CITY COUNCIL STAFF REPORT

MEETING DATE: *May 24, 2006*

CENTENNIAL RECREATION CENTER PROJECT – APRIL CONSTRUCTION PROGRESS REPORT

RECOMMENDED ACTION(S): *Information Only*

EXECUTIVE SUMMARY:

Previous Council action awarded the contract for construction of the Centennial Recreation Center Project to West Coast Contractors, Inc. At that time, staff informed Council that we would report monthly on the progress of the construction. Attached is the progress report for the month of April. This report has been sent to our webmaster for posting on the City's website. Current construction activity can be viewed live on the internet at www.novapartners.com/mhirc.

Continued inclement weather delayed construction the first two weeks of April. Dry weather the last two weeks has allowed the roofing installation to continue with good progress. The mechanical roof top units have been set and the swimming pool has been excavated. Windows and storefront systems are being installed and the sheet rock is completed in Area A, ready for paint. Barring any unforeseen circumstances, the anticipated Grand Opening has been pushed back to at least the middle of October and possibly the first of November 2006. The project is currently within budget.

FISCAL/RESOURCE IMPACT: None

Agenda Item # 2

Prepared By:

Sr. Project Manager

Approved By:

Public Works Director

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: May 24, 2006

Agenda Item # 3

Prepared By:

**Dep Dir
PW/Operations**

Approved By:

Public Works Director

Submitted By:

City Manager

CENTENNIAL INDOOR RECREATION CENTER

APPROVAL OF EXTRA DESIGN COSTS

RECOMMENDED ACTION: Approve staff recommendation to pay for extra design costs thru 2/28/06 for Noll & Tam Architects in the amount of \$72,064.

EXECUTIVE SUMMARY: The Architectural Services Contract with Noll & Tam Architects was awarded by Council on April 17, 2003. Amendments to the Contract were approved by Council on March 21 and May 4, 2005. The total cost of the contract including these two amendments equals \$1,868,390. To date \$1,818,373 has been paid on this contract.

On February 28, 2006 the City received a request by Noll & Tam Architects for additional services at a cost of \$98,293. These extra charges fall into the following categories, as provided for in the contract:

- Due to the Contractor's recommendation to vary from the Contract Documents or Contractors proceeding with work inconsistent with the contract documents.
- Preparing drawings, specifications, and other documentation and supporting data, evaluation of Contractor's proposal and providing other services in connection with a Change Order
- Providing services in connection with evaluating substitutions proposed by the Contractor after the issuance of the bid document, as a result of substitution and other proposals.

Staff evaluated the N&T request per the contract documents and concluded that the proposed extra charges were only partially justified by the contract conditions. Accordingly, staff recommends that \$72,064 be paid to N&T for extra design work not included in the contract. This has been discussed and accepted by N&T Architects.

FISCAL/RESOURCE IMPACT: There is sufficient funding in the Centennial Recreation Center Construction Contingency to pay for the extra design costs as noted.



CITY COUNCIL STAFF REPORT

MEETING DATE: May 24, 2006

APPROVAL OF PG&E FEES FOR THE NEW LIBRARY

RECOMMENDED ACTION(S):

Approve payment of fees to PG&E for the New Library in the amount of \$56,038.85.

EXECUTIVE SUMMARY:

As part of the development of the New Library, it is necessary to pay PG&E to provide gas & electric service to the project. Staff made application to PG&E this past fall. They have now completed their engineering and cost estimating. Upon payment of fees, PG&E is expected to begin construction within the next few months. The fee breakdown is as follows:

Gas Service–Rule 15	\$ 8,452.69
Electric Service–Rule 15	\$19,150.59
Gas & Electric–Rules 15/16 Non-Refundable	<u>\$28,435.57</u>
TOTAL	\$56,038.85

FISCAL/RESOURCE IMPACT: The above amount is included within the approved project budget for CIP #227000. No additional funding is required.

Agenda Item # 4

Prepared By:

Sr. Project Manager

Approved By:

Public Works Director

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: MAY 24, 2006

REJECTION OF BID FOR LABORATORY SERVICES FOR POTABLE WATER SAMPLING AND ANALYSIS

RECOMMENDED ACTION(S):

1. Reject the bid received on May 4, 2006 for Laboratory Services for Potable water Sampling and Analysis.
2. Authorize staff to re-bid.

EXECUTIVE SUMMARY:

The current contract for potable water sampling and analysis ends on June 30, 2006. Staff prepared a request for proposal for Fiscal Years 2006 through 2008. It was advertised April, 2006 with a bid opening date of May 4, 2006. Information on the price sheet was not clear to all the vendors that wanted to submit bids. There was one proposal received and is listed below:

Sequoia Analytical Laboratory	\$120,702
-------------------------------	-----------

Prior to the bid opening, staff contacted Sequoia Analytical and the vendors that were sent proposal packets to inform them there were clarifications that needed to be made. There was not time to send an addendum before the bid opening date therefore we would be requesting that the proposals be re-bid. These laboratory vendors, including Sequoia Analytical, understood the need for clarification and indicated they were interested in resubmitting a new proposal. Staff is recommending that the bid be rejected and re-bid in hopes of obtaining more competitive bid results.

FISCAL/RESOURCE IMPACT: None.

Agenda Item # 5

Prepared By:

Management Analyst

Approved By:

Public Works Director

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: May 24, 2006

Agenda Item # 6

Prepared By:

Management Analyst

Approved By:

Department Director

Submitted By:

City Manager

AMENDMENT TO ANNUAL CONTRACT WITH REPUBLIC ELECTRIC FOR TRAFFIC SIGNAL MAINTENANCE

RECOMMENDED ACTION(S):

Approve the attached Amendment No. 2 to contract with Republic Electric to increase the maximum compensation from \$145,000 to \$205,000.

EXECUTIVE SUMMARY:

On July 7, 2004 Council awarded the traffic signal maintenance contract to Signal Maintenance in the amount of \$100,000 (\$50,000 FY04/05 and \$50,000 FY05/06). The contract provides for routine monthly traffic signal maintenance and emergency callouts. Republic Electric is now the owner of Signal Maintenance and they have agreed to honor all costs as agreed to under the Signal Maintenance agreement.

March 2, 2005 Council approved Amendment No. 1 to increase the maximum compensation to \$145,000 (\$85,000 FY 04/05 and \$60,000 FY 05/06). The requested increase was to cover costs that exceeded the contract amount due to emergency call-outs. It also covered the unusual circumstance of a costly signal pole at Tennant/Vineyard being knocked down by an overturned concrete truck. The City has since collected reimbursement from the responsible party's insurance company. The balance of the additional costs was due to routine maintenance costs above the original contract amount.

This year there have been several upgrades to the emergency system, resealing of detection loops, and approximately \$19,000 in light poles being damaged in vehicle accidents. Public Works is already seeking recovery of costs associated with these city facilities being damaged. Public Works has also been relying upon Republic Electric to do many maintenance functions that were previously performed by PG&E. These costs in addition to costs for the balance of the fiscal year are anticipated to exceed the contract by \$60,000.

FISCAL IMPACT: Funding exists in the FY 2005-06 Streets operations budget to fund this amendment. It is also anticipated that approximately \$19,000 of this will be recovered through billing responsible parties for damage to city property.



CITY COUNCIL STAFF REPORT

MEETING DATE: MAY 24, 2006

AWARD OF MORGAN HILL WILDLIFE BIKE TRAIL PROJECT

RECOMMENDED ACTION(S):

1. Award contract to Perma-Green Hydroseeding, Inc. for the construction of the Morgan Hill Wildlife Bike Trail project in the amount of \$238,839.
2. Authorize expenditure of construction contingency funds not to exceed \$23,884.

EXECUTIVE SUMMARY:

The scope of the work for this project includes installing an asphalt bike path, water efficient native landscape grasses and irrigation, site furnishings, decomposed granite paving, fencing, and boulders per the Plans and Specification documents.

The bid opening was held on May 9, 2006 and the bids received are as listed below. The low bidder has previously performed work for the City of Morgan Hill. Staff did perform a standard background check and received excellent referrals. Staff recommends award of the contract to Perma-Green Hydroseeding. This project is scheduled to begin construction in early July and be completed in October 2006. Perma-Green Hydroseeding's bid was 4.5% lower than the engineer's estimate of \$250,000.

<u>Contractor Name</u>	<u>Total Bid Amount</u>
Perma-Green Hydroseeding, Inc.	\$238,839
Monterey Peninsula Engineering, Inc.	\$322,552
Blossom Valley Construction	\$329,983
Granite Construction Company	\$360,360
Suarez and Munoz Construction	\$374,996
Wattis Construction Co.	\$529,349

FISCAL/RESOURCE IMPACT: The total contract cost for this project is \$262,723, which includes a 10% contingency of \$23,884. The City received grant funding totaling approximately \$400,000 for this project from two agencies; Santa Clara Valley Water district's Trails and Open Space Grant (\$100,000) and the Santa Clara Valley Transportation Authority's Measure B Bicycle Expenditure Program (\$300,000). The project is sufficiently funded under CIP project #117B05 for \$410,000.

Agenda Item # 7

Prepared By:

Associate Engineer

Approved By:

Public Works Director

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: MAY 24, 2006

APPROVAL OF JOINT USE AGREEMENT FOR PORTIONS OF THE WEST LITTLE LLAGAS CREEK BIKE TRAIL SYSTEM

RECOMMENDED ACTION(S): Authorize City Manager to sign a Joint Use Agreement with Santa Clara Valley Water District for portions of the West Little Llagas Creek Bike Trail system on behalf of the City, subject to City Attorney review.

Agenda Item #8

Prepared By:

Associate Engineer

Approved By:

Public Works Director

Submitted By:

City Manager

EXECUTIVE SUMMARY: On August 18, 2004, Council approved a Joint Use Agreement (JUA) for portions of the West Little Llagas Creek Bike Trail system with the Santa Clara Valley Water District. See attached existing JUA, Exhibit B.

The City has received grant funding totaling \$400,000 from the Valley Transportation Authority's (VTA) Measure B Bicycle program and the Santa Clara Valley Water District's Trails and Open Space program to construct the Morgan Hill Wildlife Bike Trail. The Wildlife Bike Trail is also located adjacent to West Little Llagas Creek and the Centennial Recreation Center, between Edmundson Avenue and Edes Court. The project includes a meandering paved path with shoulders, benches, irrigation, and planting of native grasses and trees. Most of the project will be constructed on City owned land; however, the end portions at Edes Court and Edmundson Avenue are within the Water District's Right-of-Way and require a JUA. This project is part of the West Little Llagas Creek Bike Trail system, CIP #117B05 and is included in the Bikeways Master Plan. Construction is scheduled to begin in June 2006 and be complete by September 2006.

The City is currently in the process of securing Federal Funds through the State's Congestion Mitigation and Air Quality Program (CMAQ) for the West Little Llagas Bike Trail segment between La Crosse and Watsonville. A design consultant has been selected and will begin work in May 2006. This project is also a part of the West Little Llagas Creek Bike Trail system, CIP #117001 and is included in the Bikeways Master Plan. This portion of the trail will be constructed entirely within the Water District's Right-of-Way and will also require a JUA. Staff feels that one JUA to cover both projects will save City and Water District staff time.

The Water District has reviewed the two projects conceptually and has agreed to a new Joint Use Agreement to cover these trail extensions. The proposed JUA locations are shown on Exhibit A.

FISCAL/RESOURCE IMPACT: No fiscal impact.



CITY COUNCIL STAFF REPORT

MEETING DATE: May 24, 2006

ACCEPTANCE OF SUBDIVISION IMPROVEMENTS FOR TRACT 9562, CENTRAL PARK PH. VII

RECOMMENDED ACTION(S):

1. Adopt the attached resolution accepting the subdivision improvements included in Tract 9562, commonly known as Central Park Ph. VII.
2. Direct the City Clerk to file a Notice of Completion with the County Recorder's office.

EXECUTIVE SUMMARY:

Tract 9562 is a 39 lot subdivision located on the north side of East Central Avenue east of the Calle Mazatan intersection (see attached location map). The subdivision improvements have been completed in accordance with the requirements of the Subdivision Improvement Agreement between the City of Morgan Hill and South Valley Developers, Inc., dated April 19, 2004 and as specifically set forth in the plans and specifications approved by the City.

The streets to be accepted are:

<u>Street Name</u>	<u>Street Length</u>
Calle Hermosa	0.21 miles

The value of the public improvements being accepted is \$478,514.

FISCAL/RESOURCE IMPACT: Staff time for this project was paid for by development fees.

Agenda Item # 9

Prepared By:

Senior Engineer

Approved By:

Public Works Director

Submitted By:

City Manager

RESOLUTION NO.

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF MORGAN HILL ACCEPTING THE SUBDIVISION
IMPROVEMENTS FOR TRACT 9562, CENTRAL PARK
PHASE VII**

WHEREAS, the owner of Tract 9562, designated as Central Park Ph. VII, entered into a Subdivision Improvement Agreement on April 19, 2004 and

WHEREAS, Jim Ashcraft, City Engineer, has certified in writing to the City Council that all of said improvements have been installed according to the City specifications and plans for said subdivision.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL, CALIFORNIA, AS FOLLOWS:

1. The City Council hereby finds and determines that all public improvements required to be constructed pursuant to the above-mentioned Subdivision Improvement Agreement have been completed in accordance with the plans and specifications for said improvements.
2. This resolution shall constitute an interim acceptance of all said public improvements and the date of its passage shall constitute the starting day for computing the one year maintenance provisions referred to in Paragraph 10 of the Subdivision Improvement Agreement of April 19, 2004.
3. The City Clerk, following adoption of this resolution, will file with the Recorder of Santa Clara County, California a Notice of Completion of the subdivision public improvements.
4. If requested by the developer or subdivider, the City Clerk hereby is authorized to record a certified copy of this resolution with the Recorder of Santa Clara County, California.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 24th Day of May, 2006 by the following vote.

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:

☞ CERTIFICATION ☞

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. , adopted by the City Council at a Regular Meeting held on May 24, 2006.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT

MEETING DATE: May 24, 2006

AGREEMENT WITH 'CIRCA: HISTORIC PROPERTY DEVELOPMENT' TO UPDATE THE CITY'S HISTORIC RESOURCES INVENTORY AND PRESERVATION ORDINANCE

RECOMMENDED ACTION: By motion, approve and authorize execution of the Agreement

EXECUTIVE SUMMARY: Staff is requesting the City Council to approve and authorize the execution of an agreement with CIRCA: Historic Property Development (CIRCA) to update the City's Historic Resources Inventory and Preservation Ordinance. The purpose for the update is to provide the City with a comprehensive inventory of historic resources, identify why and how some of the resources meet Local and State criteria of significance, and create a well-defined historic preservation ordinance that will direct decision-making policies. The total contract amount is \$96,000.

In June 2005, the Council approved an agreement with CIRCA for the preparation of a Historic Context Statement. The purpose of the context statement was to describe the significant broad patterns of development in Morgan Hill, and provide a context for relating a property or structure to a significant theme of Morgan Hill's history, architecture, archaeology, engineering and cultural past. More importantly, the context statement provides the basis for updating the City's historic resources inventory and preservation ordinance. The context statement will be considered by the Planning Commission in June or July 2006, and thereafter adopted by the City Council. Completion of the inventory and ordinance will expedite California Environmental Quality Act (CEQA) review, and expedite development applications processing.

FISCAL IMPACT: The Redevelopment Agency budgeted for this study during Fiscal Year 2005-06, and funds are available from the Redevelopment Agency Contract Services account number 317-8010-82231.

Agenda Item # 10

Prepared By:

Senior Planner

Approved By:

CDD Director

Submitted By:

City Manager

**CONSULTANT AGREEMENT
CIRCA: HISTORIC PROPERTY DEVELOPMENT**

THIS AGREEMENT is made this _____ day of _____, 2006, by the CITY OF MORGAN HILL, a municipal corporation, ("CITY"), and CIRCA: Historic Property Development, a California sole proprietorship ("CONSULTANT").

RECITALS

The following recitals are a substantive part of this Agreement:

1. This Agreement is entered into pursuant to City Council approval on May 24, 2006.
2. CONSULTANT is qualified by virtue of experience, training, education, and expertise to accomplish these services.

AGREEMENT

THE PARTIES MUTUALLY AGREE AS FOLLOWS:

1. **Term of Agreement.** This Agreement shall cover services rendered from May 31, 2006 until June 30, 2007.
2. **Services to be Provided.** The services to be performed by CONSULTANT shall consist of those tasks identified in the Scope of Work in Exhibit A, attached and incorporated herein by this reference, related to completion of a Morgan Hill Historic Resources Inventory and Historic Preservation Ordinance.
3. **Compensation.** CONSULTANT shall be compensated as follows:
 - 3.1. **Amount.** (\$96,000). Compensation under this Agreement shall be based on time and materials, and not exceed \$96,000.
 - 3.2. **Payment.** For work under this Agreement, payment shall be made per monthly invoice. For extra work not a part of this Agreement, written authorization by CITY will be required, payment shall be based on hourly rates in Exhibit "B" attached and incorporated herein by this reference.
 - 3.3. **Records of Expenses.** CONSULTANT shall keep accurate records of payroll, travel, and expenses. These records will be made available to CITY.
 - 3.4. **Termination.** CITY and CONSULTANT shall have the right to terminate this Agreement, without cause, by giving fifteen (15) days' written notice.
4. **Insurance Requirements.**
 - 4.1. **Commencement of Work.** CONSULTANT shall not commence work under this Agreement until it has obtained CITY approved insurance. For general liability and automobile insurance policies, CONSULTANT shall provide CITY, prior to

commencement of work, with a separate endorsement which states that the policy contains the following language:

- The CITY, its elected officials, officers, employees, agents and representatives are named as additional insureds; and,
- the insurer waives the right of subrogation against CITY and CITY'S elected officials, officers, employees, agents, and representatives; and,
- insurance shall be primary non-contributing.

CONSULTANT shall furnish CITY with copies of all policies or certificates subject to this Agreement, whether new or modified, promptly upon receipt. No policy subject to this Agreement shall be cancelled or materially changed except after thirty (30) days' notice by the insurer to CITY by certified mail.

4.2. Workers Compensation Insurance. CONSULTANT and all subcontractors shall maintain Worker's Compensation Insurance, if applicable.

4.3. Insurance Types and Amounts. CONSULTANT shall maintain general commercial liability and automobile insurance against claims and liabilities for personal injury, death, or property damage, providing protection of at least \$1,000,000 for bodily injury or death to any one person for any one accident or occurrence and at least \$1,000,000 for property damage. CONSULTANT shall also maintain professional liability insurance in an amount of \$1,000,000 per claim.

4.4. Acceptability of Insurers. All insurance required by this Agreement shall be carried only by responsible insurance companies licensed to do business in California. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII.

4.5. Provision of Agreement to Insurers. CONSULTANT represents and warrants that they have provided a copy of this Agreement to their respective insurers, and the insurers are aware of all obligations pertaining to CONSULTANT as stated in this Agreement.

5. **Non-Liability of Officials and Employees of the CITY.** No official or employee of CITY shall be personally liable for any default or liability under this Agreement.

6. **Non-Discrimination.** CONSULTANT covenants there shall be no discrimination based upon race, color, creed, religion, gender, marital status, age, disability, national origin, or ancestry, in any activity pursuant to this Agreement.

7. **Independent Contractor.** It is agreed to that CONSULTANT shall act and be an independent contractor and not an agent or employee of CITY.

8. **Compliance with Law.** CONSULTANT shall comply with all applicable laws, ordinances, codes, and regulations of the federal, state, and local government.

9. **Ownership of Work Product.** All documents or other information developed or received by CONSULTANT for work performed under this agreement shall be the property of CITY. CONSULTANT shall provide CITY with copies of these items upon demand or upon termination of this Agreement.

10. **Conflict of Interest and Reporting.** CONSULTANT shall at all times avoid conflict of interest or appearance of conflict of interest in performance of this Agreement.

11. **Notices.** All notices shall be personally delivered or mailed, via first class mail to the below listed address. These addresses shall be used for delivery of service of process. Notices shall be effective five (5) days after date of mailing, or upon date of personal delivery.

Address of CONSULTANT is as follows:

Sheila McElroy
CIRCA: Historic Property Development
One Sutter Street, Suite 910
San Francisco, CA 94104

Address of CITY is as follows:

City Department Director	with a copy to:
City of Morgan Hill	City Clerk
17555 Peak Avenue	17555 Peak Avenue
Morgan Hill, CA 95037	Morgan Hill, CA 95037

12. **CONSULTANT'S Proposal.** This Agreement shall include CONSULTANT'S proposal or bid, which is incorporated herein. In the event of any inconsistency between the terms of the proposal and this Agreement, this Agreement shall govern.

13. **Licenses, Permits, and Fees.** CONSULTANT shall obtain a City of Morgan Hill Business License, all permits, and licenses as may be required by this Agreement.

14. **Familiarity with Work.** By executing this Agreement, CONSULTANT warrants that: (1) it has investigated the work to be performed; (2) it has investigated the site of the work and is aware of all conditions there; and (3) it understands the difficulties and restrictions of the work under this Agreement. Should CONSULTANT discover any conditions materially differing from those inherent in the work or as represented by CITY, it shall immediately inform CITY and shall not proceed, except at CONSULTANT'S risk, until written instructions are received from CITY.

15. **Time of Essence.** Time is of the essence in the performance of this Agreement.

16. **Limitations Upon Subcontracting and Assignment.** Neither this Agreement nor any portion shall be assigned by CONSULTANT, without prior written consent of CITY.

17. **Authority to Execute.** The persons executing this Agreement on behalf of the parties warrant that they are duly authorized to execute this Agreement.

18. **Indemnification.**

18.1. For claims arising from CONSULTANT'S professional acts or omissions, CONSULTANT agrees to protect, defend and hold harmless CITY and its elective or appointive boards, officers, agents, and employees from any and all claims, liabilities, expenses, or damages of any nature, including reasonable attorneys' fees, for injury or death of any person, or damage to property, or interference with use of property, to the extent arising out of the negligence performance and/or willful acts or omission of CONSULTANT, CONSULTANT'S agents, officers, employees, subcontractors, or independent contractors hired by CONSULTANT.

18.2. For any other claim arising from any other act or omission, performance or non-performance by CONSULTANT under this Agreement, CONSULTANT agrees to protect, defend and hold harmless CITY and its elective or appointive boards, officers, agents, and employees from any and all claims, liabilities, expenses, or damages of any nature, including reasonable attorneys' fees, for injury or death of any person, or damage to property, or interference with use of property, to the extent arising out of this Agreement by CONSULTANT, CONSULTANT'S agents, officers, employees, subcontractors, or independent contractors hired by CONSULTANT.

18.3. The only exception to CONSULTANT'S above-named responsibilities to protect, defend, and hold harmless CITY is due to the negligence of CITY as adjudged by a court of competent jurisdiction. CONSULTANT shall bear any initial burden of protection, defense, and hold harmless until such court judgment is rendered.

18.4. This agreement shall apply to all liability, regardless of whether any insurance policies are applicable. Policy limits do not act as a limitation upon the amount of indemnification to be provided by CONSULTANT.

19. **Modification.** This Agreement constitutes the entire agreement between the parties and supersedes any previous agreements, oral or written. This Agreement may be modified or provisions waived only by subsequent mutual written agreement executed by CITY and CONSULTANT.

20. **California Law.** This Agreement shall be construed in accordance with the laws of the State of California. Any action commenced about this Agreement shall be filed in the Santa Clara County Superior Court.

21. **Interpretation.** This Agreement shall be interpreted as though prepared by both parties.

22. **Preservation of Agreement.** Should any provision of this Agreement be found invalid or unenforceable, the decision shall affect only the provision interpreted, and all remaining provisions shall remain enforceable.

IN WITNESS THEREOF, these parties have executed this Agreement on the day and year shown below.

ATTEST:

THE CITY OF MORGAN HILL

Irma Torrez, City Clerk

Date: _____

J. Edward Tewes, City Manager

Date: _____

APPROVED:

CONSULTANT

Circa: Historic Property Development

Jack Dilles, Risk Manager

Date: _____

By: Sheila McElroy

Date: _____

APPROVED AS TO FORM:

Janet Kern, City Attorney

Date: _____

Consultant Agreement - Inventory and Ordinance

EXHIBIT A

Scope of Work:

The **Historic Resources Inventory and Historic Preservation Ordinance** will provide the City of Morgan Hill with a comprehensive inventory of historic resources, an understanding as to why and how some of these resources meet Local and State criteria, and a well-defined historic preservation ordinance that will direct decision-making policies. The initial list of approximately 200 properties will be reviewed, and reduced if appropriate, by city staff and volunteers from the Morgan Hill Historical Society. This phase also includes the development of a Historic Preservation Ordinance to encourage public knowledge, understanding, and appreciation of the City's past, and to foster civic pride based on recognized cultural resources. Following the Historic Context Statement, this next phase will provide the city with a "tool box" for preservation planning. Because this estimate is based on time and materials, the exact number of properties to be surveyed, and subsequently those properties to be evaluated, will depend on the budget remaining. In addition, we propose to provide the City of Morgan Hill with recommendations for a Historic Element for the General Plan Update. This aspect will be limited to directing the course of the Element. Writing the Historic Element is out of this Scope.

Historic Resources Inventory

[In tandem with the survey will be the development of the Historic Preservation Ordinance prior to evaluation of properties]

The consulting team proposes the following method of survey:

- **Initial Meeting (with tour):** This brief meeting between team members and staff is intended to review and refine the scope of work, confirm project boundaries for the survey, and discuss the mission of the Preservation Ordinance and areas of particular concern. A brief team tour will follow.
- **Pre-Reconnaissance Survey Data Entry:** All known information, address, parcel, building numbers etc. will be entered onto the forms and printed for use in the field. This allows the consultant to confirm and correct any necessary information, and eliminate wasted time in the field. Blank forms will be available to record those properties that are identified in the field as potential resources.
- **Reconnaissance Survey:** The survey area will be organized into logical zones to conduct efficient fieldwork. Two team members will conduct the survey. The consultant assumes that provisions and noticing will be arranged to allow for easy public access to the properties, and to conduct the survey in the most efficient way possible. Access to properties not accessible by public right-of-way will need to be arranged. The State of California Department of Parks and Recreation (DPR 523) standardized form will be utilized.
- **Evaluation:** Select properties will be evaluated for its architectural merit, historic integrity and social context. The consultant will utilize the National Register of Historic Places, the California Register of Historic Resources, and the City of Morgan Hill criteria to evaluate properties.

- **Report Development:** Findings from the survey and evaluation process will be developed into a report. The properties will be recorded and keyed onto a map and included into the report. The map will be a useful tool in analyzing the potential for an historic district as it can illustrate development patterns and confirm district boundaries. All of the DPR forms will be included in the report appendix.
- **Attend Public Hearings (two):** Review and comment on the survey and report as part of the public participation process. We assume our attendance at public hearings would involve about 2-3 hours each (for one person to attend).
- **Finalize Survey:** Revise the survey report per comments during the public participation process.

Estimated Sub-total \$ 80,000.

Historic Preservation Ordinance

The consulting team proposes the following method of approach:

- **Historic Preservation Ordinance:** This major task includes detailed review of documents, research, writing, text editing, and on-going communications via telephone conferences, and email conferences. The survey results will be used to guide portions of the text. The ordinance will include, at a minimum, definitions of applicable terms, criteria for evaluation and project review, and procedures for certificate of appropriateness.
- **Study Session:** When the ordinance is about 75% complete a study session will be held between the team, staff and city attorney. This study session is intended to tighten-up gaps in information, and address any course corrections, and will include general editing.
- **Draft Historic Preservation Ordinance:** The Draft Historic Preservation Ordinance will be completed based on comments from the Study Session and submitted for public review.
- **Public Meetings (2):** Attendance of two (2) team members at two (2) public meeting regarding the Historic Preservation Ordinance.
- **Final Historic Preservation Ordinance:** The final Historic Preservation Ordinance will be completed based on comments from the Public Meetings.

Estimated Sub-total \$ 15,000.

Recommendations for a Historic Element for the General Plan Update

As a natural follow-up to the Historic Preservation Ordinance, we propose the development of recommendations for a Historic Element for the General Plan Update. This brief report will outline issues and approaches that will be the basis of a future Historic Element for the City of Morgan Hill.

Estimated Sub-total \$ 1,000.

ESTIMATED TOTAL FEES \$ 96,000.00

ADDITIONAL SERVICES

- Additional meetings
- Additional property surveys

FEES AND BILLING

The hourly rates for Circa: Historic Property Development follows:

Principal:	\$120.00 per hour
Research and Technical Writing:	\$ 85.00 per hour
Clerical:	\$ 50.00 per hour

Invoices will be sent on a monthly basis and are upon within 30 days of receipt.

BUSINESS ENTITY

Circa: Historic Property Development
One Sutter Street Suite 910
San Francisco, CA 94104

415.362.7711
415.391.9647 fax

TEAM MEMBERS

- Sheila McElroy, Principal
- Becky Urbano, Architectural Historian
- Michael Crowe, Preservation Specialist

Qualifications available upon request

CONTACT INFORMATION

Sheila McElroy
Principal

415.362.7711 phone
415.391.9647 fax
sheila_circa@excite.com



CITY COUNCIL STAFF REPORT

MEETING DATE: MAY 24, 2006

Agenda Item #11

**Prepared & Submitted
By:**

City Manager

HOUSING ASSISTANCE PROGRAM

RECOMMENDED ACTION(S):

1. Authorize a loan of up to \$50,000 to the Recreation and Community Services Director to assist in acquiring a residence in Morgan Hill; and
2. Appropriate \$50,000 from the Employee Assistance Fund.

EXECUTIVE SUMMARY: The new Recreation and Community Services Director is relocating from a lower cost housing market. It would be beneficial for this employee to live in Morgan Hill.

In similar circumstances, the Council has authorized loans for the City Manager and the Police Chief. In addition, police officers meeting certain income requirements are also eligible for loans to assist them in establishing their residence in Morgan Hill. A new program to make loans available to all city employees is currently being developed and will be reviewed by the Council's Community and Economic Development Committee.

Pending the development of new program guidelines, it is recommended that the loan to the Recreation and Community Services Director be on the same basis as that approved for the Police Chief in 2002:

- Loan Amount: \$50,000 or 11% of the purchase price, whichever is less.
- Term: Deferred for five (5) years, then amortized over the remaining 15 years of the 20 year term.
- Interest: Interest is at the Local Agency Investment Fund Rate (LAIF), plus 1/4% and is computed as simple interest.
- Conditions: The home must be the employee's principal residence. The loan must be repaid within 120 days of the employee leaving the City's employment for any reason.

FISCAL IMPACT: Funds are available in the Employee Assistance Fund which is a revolving loan fund initially established to assist employees purchase computers and information technology. In 2004, the proceeds from the repayment of the home loan to the Police Chief were deposited in this fund.



CITY COUNCIL STAFF REPORT

MAY 24, 2006

Agenda Item # 12

Prepared By:

**Council Services &
Records Manager**

Submitted By:

City Manager

PROPOSITION 81, THE 2006 CALIFORNIA STATE LIBRARY CONSTRUCTION BOND

RECOMMENDED ACTIONS:

1. **Adopt** Resolution Endorsing and Supporting Proposition 81; and
2. **Direct** the City Clerk to forward a copy of Council Resolution to the YES for Libraries headquarters.

EXECUTIVE SUMMARY:

Melinda Cervantes, Santa Clara County Librarian, is requesting the City of Morgan Hill endorse Proposition 81 slated for a June 6, 2006 ballot vote. Proposition 81, would provide for a bond issue in an amount not to exceed a total of \$600,000,000 to provide funds for the construction and renovation of public library facilities in order to expand access to reading and literacy programs in California's public services for all residents of California. These bond funds could be used to renovate and build community libraries; making local dollars available to expend literacy programs, create homework centers, and improve services to seniors, businesses and individuals with disability.

Regionally, should Proposition 81 pass by a majority vote, library bond funds could provide funding for two-thirds of the construction costs for a new Gilroy Library. Cities in the County considering applications from this funding source, if passed, include the Cities of Campbell and Sunnyvale. Ms. Cervantes states that "We all benefit from new construction for libraries; more space means more books, programs and services for people of all ages and need." It is felt that this may be the last library construction dollars to be made available for some time and that with over \$500 million in applications unfunded by Proposition 14, there is a great need.

The following agencies have already endorsed Proposition 81:

Santa Clara County Board of Supervisors
Santa Clara County Library JPA
City of Campbell
City of Gilroy
CSAC
League of Cities

Council Member Tate, the City Council's representative to the Santa Clara County Library District Joint Powers Authority, is recommending the Council endorse and support Proposition 81. Should the Council support and endorse Proposition 81, the attached resolution will help facilitate this action

FISCAL IMPACT: The time necessary to prepare this report is accommodated in the Council Services and Records Manager's operating budget.

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ENDORSING AND SUPPORTING PROPOSITION 81, THE 2006 CALIFORNIA STATE LIBRARY CONSTRUCTION BOND

Whereas, Governor Arnold Schwarzenegger has authorized the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2006 be placed on the June 2006 ballot; and

Whereas, population increases have resulted in increasing library usage, and local governments are struggling to meet the need for library construction and renovation, and

Whereas, the California State Library has identified over 500 un-funded library construction projects statewide, totaling more than \$4 billion; and

Whereas, approval of Proposition. 81 would authorize the State of California to sell \$600 million in bonds to assist local governments in the construction and renovation of public libraries; and

Whereas, approved projects will combine state matching funds representing 65% of total project costs, with 35% in locally generated funds, resulting in nearly \$900 million being spent in local communities; and

Whereas, fighting illiteracy starts early in life, and public libraries have been essential partners with our schools in dealing with this problem; and

Whereas, public libraries offer reading programs for young children and literacy services for adults and families that complement the formal education system.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL that the City of Morgan Hill joins the California Federation of Teachers, California Business Roundtable, Congress of California Seniors, and League of Women Voters of California and many others and endorses Proposition 81 on the June 6th, 2006 election ballot, encourages voters in the city to vote in favor of this measure and directs the City Clerk to forward a copy of this Resolution after its adoption to Yes for Libraries headquarters.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 24th Day of May, 2006 by the following vote.

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:

🦋 CERTIFICATION 🦋

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. , adopted by the City Council at a Regular Meeting held on May 24, 2006.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT

MEETING DATE: May 24, 2006

Agenda Item # 13

Prepared By:

Deputy City Clerk

Approved By:

City Clerk

Submitted By:

City Manager

ADOPT ORDINANCE NO. 1779, NEW SERIES

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING THE ZONING DESIGNATION FROM R-2 3,500 (MEDIUM DENSITY RESIDENTIAL) TO CG (GENERAL COMMERCIAL) ON A 2.66-ACRE PARCEL (APN 726-43-006) ADJACENT TO AND NORTHERLY OF THE LAUREL ROAD/WALNUT GROVE DRIVE INTERSECTION (ZONING AMENDMENT APPLICATION NO. ZA-06-02: LAUREL – CITY OF MORGAN HILL)

RECOMMENDED ACTION(S):

Waive the Reading, and **Adopt** Ordinance No. 1779, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall Be Determined to Have Been Read by Title and Further Reading Waived.

EXECUTIVE SUMMARY:

On May 3, 2006, the City Council Introduced Ordinance No. 1779, New Series, by the Following Roll Call Vote: AYES: Carr, Grzan, Kennedy, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: None.

FISCAL IMPACT:

Approval of the General Plan Amendment and Rezoning will allow for a business that will generate sales tax revenue.

ORDINANCE NO. 1779, NEW SERIES

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING THE ZONING DESIGNATION FROM R-2 3,500 (MEDIUM DENSITY RESIDENTIAL) TO CG (GENERAL COMMERCIAL) ON A 2.66-ACRE PARCEL (APN 726-43-006) ADJACENT TO AND NORTHERLY OF THE LAUREL ROAD/WALNUT GROVE DRIVE INTERSECTION. (ZONING AMENDMENT APPLICATION NO. ZA-06-02: LAUREL – CITY OF MORGAN HILL)

- SECTION 1.** The proposed zoning amendment is consistent with the Zoning Ordinance and the General Plan.
- SECTION 2.** The zone change is required in order to serve the public convenience, necessity and general welfare as provided in Section 18.62.050 of the Municipal Code.
- SECTION 3.** An Initial Study has been prepared for this application, and has been found to be complete, correct and in substantial compliance with the requirements of the California Environmental Quality Act. A Mitigated Negative Declaration is hereby adopted.
- SECTION 4.** The City Council hereby approves an amendment to the zoning designation from R-2 3,500 (Medium Density Residential) to CG (General Commercial) for one parcel totaling 2.66-acres as shown on the attached zoning plat (Exhibit A).
- SECTION 5.** Future development of the zoning amendment area shall comply with the mitigation measures of the adopted Mitigated Negative Declaration.
- SECTION 6.** Severability. If any part of this Ordinance is held to be invalid or inapplicable to any situation by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations.
- SECTION 7.** Effective Date; Publication. This Ordinance shall take effect thirty (30) days after the date of its adoption. The City Clerk is hereby directed to publish this ordinance pursuant to §36933 of the Government Code.

The foregoing ordinance was introduced at the regular meeting of the City Council of the City of Morgan Hill held on the 3rd Day of May 2006, and was finally adopted at a regular meeting of said Council on the Day of May 2006, and said ordinance was duly passed and adopted in accordance with law by the following vote:

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:

ATTEST:

APPROVED:

Irma Torrez, City Clerk

Dennis Kennedy, Mayor

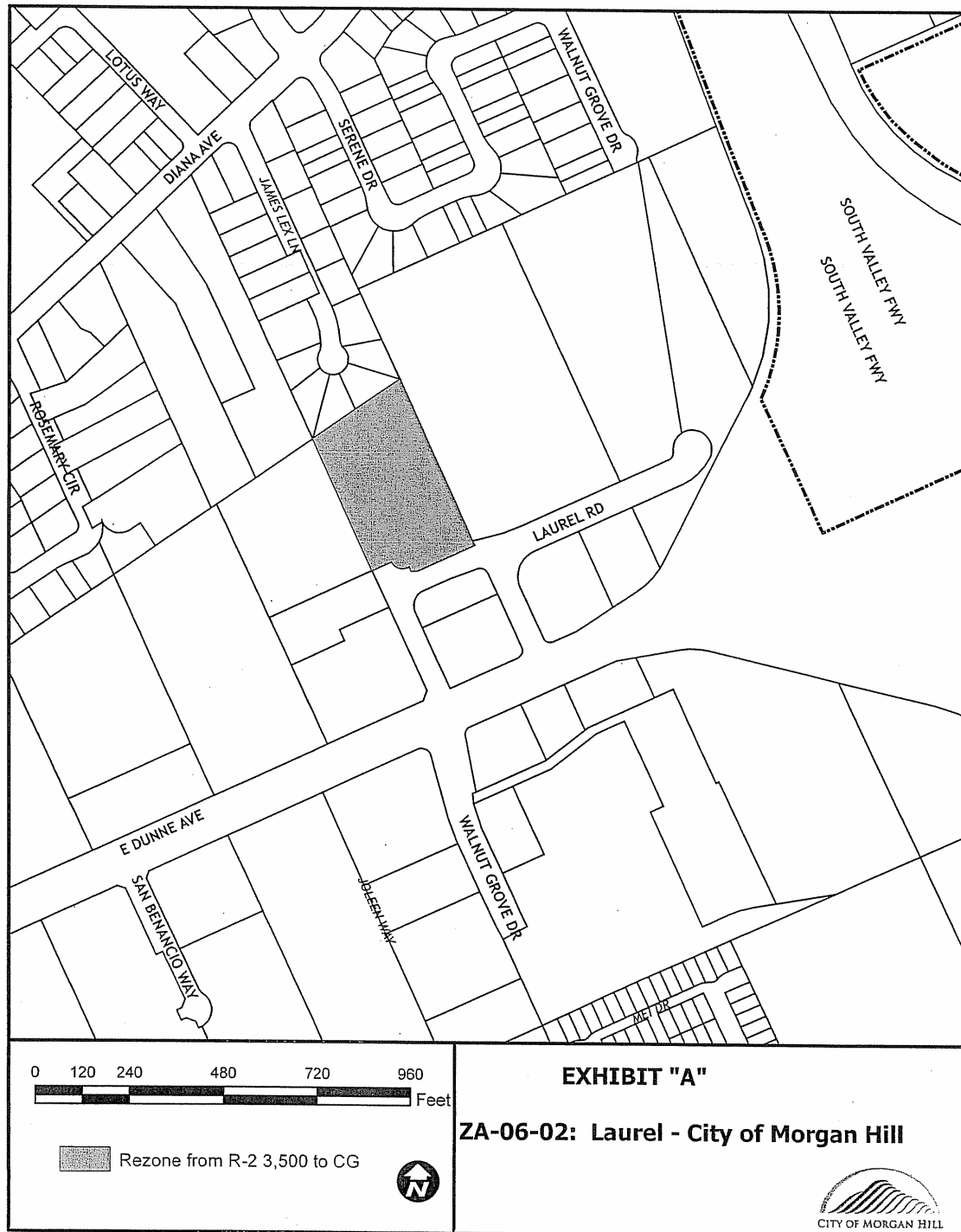
⌘ CERTIFICATE OF THE CITY CLERK ⌘

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Ordinance No. 1779, New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the Day of May 2006.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk



**CITY OF MORGAN HILL
JOINT SPECIAL CITY COUNCIL AND
SPECIAL PLANNING COMMISSION MEETING
MINUTES – APRIL 29, 2006**

CALL TO ORDER

Mayor Kennedy called the special meeting to order at 9:09 a.m.

ROLL CALL ATTENDANCE

City Council

Present: Council Members Carr, Grzan, Sellers, Tate and Mayor Kennedy

Planning Commission

Present: Bob Escobar, Susan Koepp-Baker, Ralph Lyle, Joe Mueller

Absent: Geno Acevedo, Bob Benich, Mike Davenport

DECLARATION OF POSTING OF AGENDA

The meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

City Council and Planning Commission Action

WORKSHOP:

1. PRESENTATION AND DISCUSSION OF COMMUNITY CONVERSATION RESULTS

The City Council received a report on the results of the Community Conversation; participating in a Community Conversation with individuals in attendance at this Capstone Workshop.

FUTURE COUNCIL-INITIATED AGENDA ITEMS

No items were identified.

ADJOURNMENT

There being no further business, Mayor Kennedy adjourned the meeting at 1:10 p.m.

MINUTES PREPARED BY:

IRMA TORREZ, CITY CLERK



REDEVELOPMENT AGENCY
STAFF REPORT

MEETING DATE: *May 24, 2006*

APRIL 2006 FINANCE & INVESTMENT REPORT

RECOMMENDED ACTION:

Accept and File Report

EXECUTIVE SUMMARY: Attached is the monthly Finance and Investment Report of the Redevelopment Agency of the City of Morgan Hill for the month of April 2006. The report covers activity for the first ten months of the 2005/2006 fiscal year. A summary of the report is included on the first page for the Board's benefit.

The Redevelopment Agency monthly Finance and Investment Report is presented to the Agency Board and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity of the Redevelopment Agency.

FISCAL IMPACT: As presented.

Agenda Item # 15

Prepared By:

Finance Director

Submitted By:

Executive director

**REDEVELOPMENT AGENCY OF
THE CITY OF MORGAN HILL**

Monthly Financial and Investment Reports

April 30, 2006 – 83% Year Complete



**CITY OF MORGAN HILL
REDEVELOPMENT AGENCY**

Prepared by:

FINANCE DEPARTMENT



REDEVELOPMENT AGENCY OF THE CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2005/06
FOR THE MONTH OF APRIL 2006 - 83% OF YEAR COMPLETE

Revenues

Through April 30, the Redevelopment Agency received \$19,484,781 in property tax increment revenues during the 2005/06 fiscal year. Most property tax increment revenues are received in December and April. The Redevelopment Agency, as of April 30, 2006, has collected \$100,000,000 in tax increment revenue under the original plan and has collected \$116,896,231, net of pass-through obligations to other agencies, toward the plan amendment cap of \$147,000,000. All tax increment revenues collected during 2005/2006 were collected under the plan amendment.

An amount of \$3,304,035 in interest earnings and other income was received through April. This total included \$650,000 received by the Agency for the sale of the old police facility, included \$658,000 in loan repayments received from Hospira and Johnson Lumber, and included \$267,000 in revenue from the County Library toward the cost of the new Library design. The Agency also received \$276,000 in December, as part of this total, from the sale of a below market rate housing unit. Certain additional interest earnings for April have not yet been apportioned, but will be following the quarter ending June 30.

Expenditures

Total Redevelopment Agency Capital Projects expenditures and encumbrances equaled \$25,833,959 and were 56% of budget. Of this total, \$10,922,366 represented encumbrances for capital projects and other commitments. If the encumbrances were excluded, the RDA would have spent only 32% of the budget. Expenditures for administrative costs for employee services, supplies, and contract services were 80% of budget. Through April, CIP project expenditures totaled \$11,976,571, including approximately \$193,000 on Aquatics improvements, \$1,010,000 on the Library, \$10,028,000 on the Centennial Recreation Center, \$357,000 on Tennant Avenue Widening, and \$375,000 on Depot Street Undergrounding. In addition, the Agency spent \$358,000 moving the Acton House/Museum and \$875,000 on the County Court House.

Expenditures plus encumbrances for Housing were at 43% of the budget for a total of \$4,436,390. This included approximately \$343,000 in funding for the Watsonville Road Housing Project, \$1,014,000 for the Royal Court Housing loan, and \$1,140,000 for the Casa Diana purchase. All of the 2005/06 housing related expenditures has been funded with tax increment collected under the plan amendment.

Fund Balance

The unreserved fund balance of \$3,887,933 for the Capital Projects Fund at April 30, 2006, consisted entirely of monies collected under the plan amendment. The unreserved fund balance does not reflect future obligations to pay an additional \$875,000 for the Courthouse Facility and \$1.61 million for the Lomanto property should the Agency decide to execute its option to purchase in accordance with the agreement. If these future commitments are subtracted from the \$3,887,933, the remaining unreserved fund balance at April 30 would be \$1,402,933. However, these commitments are expected to be paid out over the next several years. Property tax increment receipts in the near future will provide the resources necessary to carry the Agency through the remainder of this fiscal year. The Capital Projects Fund cash balance at April 30 was \$14,846,784.

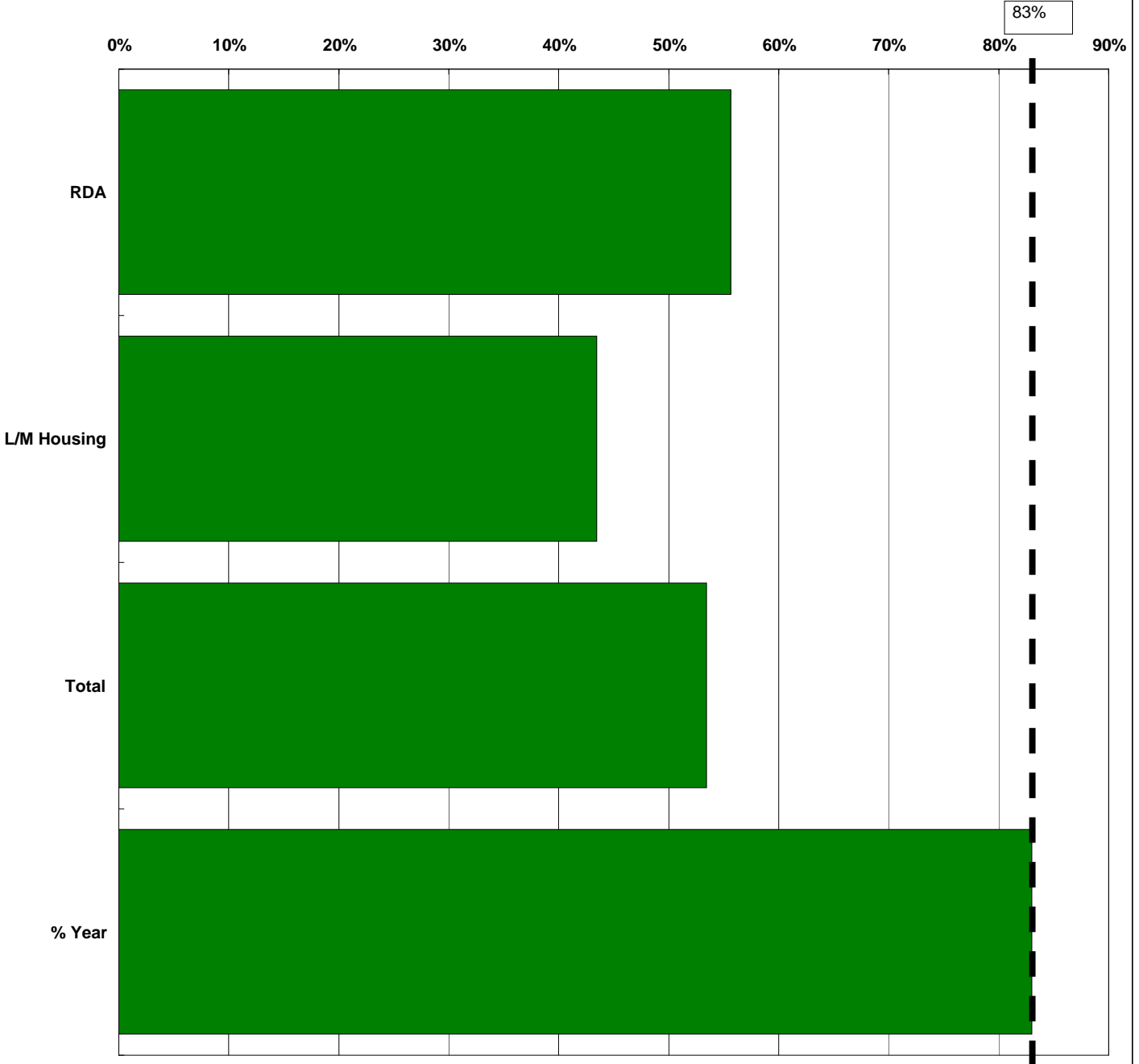
The unreserved fund balance of \$7,296,730 for the Housing Fund at April 30 consisted of funds all collected under the plan amendment.



Redevelopment Agency YTD Expenditures

April 30, 2006

Percent of Actual to Budget

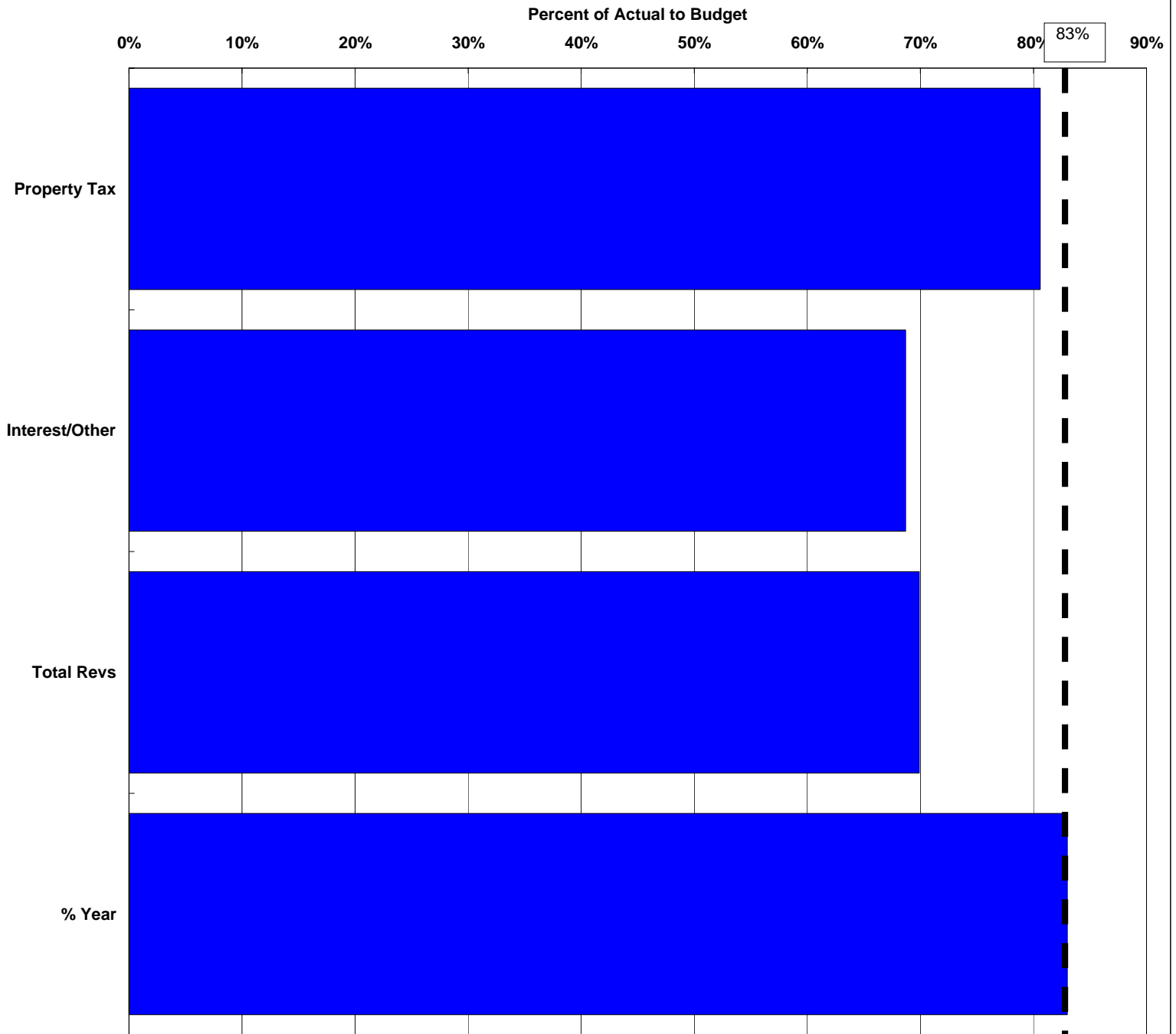


Expenditure Category	Budget	Actual Plus Encumbrances	% of Budget
CAPITAL PROJECTS	\$46,432,852	\$25,833,959	56%
HOUSING	10,209,748	4,436,390	43%
TOTALS	\$56,642,600	\$30,270,349	53%



Redevelopment Agency YTD Revenues

April 30, 2006



REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
PROPERTY TAXES	\$24,171,636	\$19,484,781	81%	\$18,281,579	7%
INTEREST INCOME/RENTS/OTHER	\$4,808,397	\$3,304,035	69%	\$698,680	373%
TOTALS	\$32,580,033	\$22,788,816	70%	\$18,980,259	20%



Redevelopment Agency
 Fund Balance Report - Fiscal Year 2005/06
 For the Month of April 2006
 83% of Year Complete

Fund No.	Fund	Unaudited Fund Balance 06-30-05	Revenues		Expenditures		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved ¹	Unreserved	Unrestricted	Restricted
317	CAPITAL PROJECTS	\$12,182,379	17,610,562	63%	14,911,593	32%	2,698,969	10,993,415	3,887,933	\$14,846,784	
327/328	HOUSING	\$6,764,866	5,178,254	117%	4,130,286	40%	1,047,968	516,104	\$7,296,730	\$7,875,552	
TOTAL CAPITAL PROJECT FUNDS		\$18,947,245	22,788,816	70%	19,041,879	34%	3,746,937	11,509,519	11,184,663	22,722,336	
SUMMARY BY FUND TYPE											
CAPITAL PROJECTS GROUP		\$18,947,245	22,788,816	70%	19,041,879	34%	3,746,937	11,509,519	11,184,663	22,722,336	
TOTAL ALL GROUPS		\$18,947,245	22,788,816	70%	19,041,879	34%	3,746,937	11,509,519	11,184,663	22,722,336	
TOTAL CASH AND INVESTMENTS										22,722,336	

¹ Amount reserved for encumbrances, fixed asset replacement, long-term receivables



Redevelopment Agency
Year to Date Revenues - Fiscal Year 2005/06
For the Month of April 2006
83% of Year Complete

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGETED	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCREASE (DECREASE) FROM PRIOR YTD	% CHANGE
CAPITAL PROJECTS FUNDS							
317 CAPITAL PROJECTS							
Property Taxes & Supplemental Roll	15,169,461	19,769,461	15,063,325	76%	14,208,727	854,598	6%
Loan Proceeds	4,500,000	4,500,000	716,235	16%	-	-	n/a
Interest Income, Rents	297,947	297,947	654,414	220%	162,781	491,633	302%
Other Agencies/Current Charges	-	3,600,000	1,176,588	n/a	340,314	836,274	246%
TOTAL CAPITAL PROJECTS	19,967,408	28,167,408	17,610,562	63%	14,711,822	2,898,740	20%
327/328 HOUSING							
Property Taxes & Supplemental Roll	4,402,175	4,402,175	4,421,456	100%	4,072,852	348,604	9%
Interest Income, Rent	10,450	10,450	351,643	3365%	193,954	157,689	81%
Other	-	-	405,155	na	1,631	403,524	24741%
TOTAL HOUSING	4,412,625	4,412,625	5,178,254	117%	4,268,437	909,817	21%
TOTAL CAPITAL PROJECTS FUNDS	24,380,033	32,580,033	22,788,816	70%	18,980,259	3,808,557	20%



Redevelopment Agency
Year to Date Expenses - Fiscal Year 2005/2006
For the Month of April 2006
83% of Year Complete

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENDITURES	AMENDED BUDGET	YTD EXPENDITURES	OUTSTANDING ENCUMBRANCES	TOTAL ALLOCATED	% OF TOTAL TO BUDGET	PRIOR YTD
317 CAPITAL PROJECTS								
	BAHS Administration	129,864	1,638,740	1,252,803	57,618	1,310,421	80%	1,058,474
	BAHS Economic Development	59,220	4,100,252	1,682,219	418,508	2,100,727	51%	1,722,558
	BAHS CIP	<u>1,468,007</u>	<u>40,693,860</u>	<u>11,976,571</u>	<u>10,446,240</u>	<u>22,422,811</u>	<u>55%</u>	<u>3,657,155</u>
	TOTAL CAPITAL PROJECTS	<u>1,657,091</u>	<u>46,432,852</u>	<u>14,911,593</u>	<u>10,922,366</u>	<u>25,833,959</u>	<u>56%</u>	<u>6,438,187</u>
327 AND 328 HOUSING								
	Housing	<u>110,536</u>	<u>10,209,748</u>	<u>4,130,286</u>	<u>306,104</u>	<u>4,436,390</u>	<u>43%</u>	<u>2,853,884</u>
	TOTAL HOUSING	<u>110,536</u>	<u>10,209,748</u>	<u>4,130,286</u>	<u>306,104</u>	<u>4,436,390</u>	<u>43%</u>	<u>2,853,884</u>
TOTAL CAPITAL PROJECT FUND:		<u>1,767,627</u>	<u>56,642,600</u>	<u>19,041,879</u>	<u>11,228,470</u>	<u>30,270,349</u>	<u>53%</u>	<u>9,292,071</u>



Redevelopment Agency of the City of Morgan Hill
 Balance Sheet Report - Fiscal Year 2005/06
 For the Month of April 2006
 83% of Year Complete

	CAPITAL PROJECTS (Fund 317)	Housing (Fund 327/328)
ASSETS		
Cash and investments:		
Unrestricted	14,846,784	7,875,552
Accounts Receivable	29,429	
Loans Receivable ¹	4,278,745	33,113,983
Advance to Other Funds		
Fixed Assets ²	71,049	210,000
Other Assets		
Total Assets	19,226,007	41,199,535
LIABILITIES		
Accounts Payable and Accrued Liabilities	43,346	33,159
Deferred Revenue ³	4,301,313	33,353,542
Accrued Vacation and Comp Time		
Total liabilities	4,344,659	33,386,701
FUND BALANCE		
Fund Balance		
Reserved for:		
Encumbrances	10,922,366	306,104
Advance to Other Funds		
Properties Held for Resale	71,049	210,000
Loans and Notes Receivable		
Total Reserved Fund balance	10,993,415	516,104
Unreserved Fund Balance	3,887,933	7,296,730
Total Fund Balance	14,881,348	7,812,834
Total Liabilities and Fund Balance	19,226,007	41,199,535

¹ Includes Housing Rehab loans and loans for several housing and Agency projects.

² Includes RDA properties held for resale.

³ Includes the deferred payment portion of the loans noted above.

**CITY OF MORGAN HILL
JOINT REGULAR REDEVELOPMENT
AND REGULAR CITY COUNCIL MEETING
MINUTES – APRIL 26, 2006**

CALL TO ORDER

Mayor/Chairman Kennedy called the meeting to order at 7:00 p.m.

ROLL CALL ATTENDANCE

Present: Council/Agency Members Grzan, Sellers, Tate and Chairperson/Mayor Kennedy
Late: Council/Agency Member Carr (arrived at 7:45 p.m.)

DECLARATION OF POSTING OF AGENDA

City Clerk/Agency Secretary Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

At the invitation of Chairman/Mayor Kennedy, Alex Kennett, Independence Day, Inc., led the Pledge of Allegiance.

RECOGNITION

Mayor Kennedy presented a Certificate of Recognition to Doris Bateman; recognizing her as the *2006 Mt. Madonna YMCA Volunteer of the Year*.

PRESENTATION

Dr. Guadalupe Olivas, Director, Santa Clara County Health Office, requested the City of Morgan Hill join the Santa Clara County Health Office in their efforts as they mobilize the preparation stage for a Pandemic Flu plan.

Dr. Martin Fenstersheib, Santa Clara County Health Officer, presented a background on what the County sees as the potential risks of a Pandemic Flu occurrence in the area; including the efforts surrounding the plan to deal with a Pandemic Flu response.

Dr. Olivas addressed the business operation of the Pandemic Flu plan. She stated that it would be imperative that the County Public Health Department works and partners with cities, especially with the influenza care centers. She said that each work place entity will need to undertake continuity in operations planning. She provided the Council with a checklist that would assist businesses in planning for impacts in order to protect employees and customers; establishing policies such as considering mandatory sick leave when individuals become ill in order to prevent the spread of the disease at the workplace; allocate resources and participate in training/education for the workforce.

Dr. Olivas said the City will be key to assisting the County Public Health Department in rolling out the education plan. It is also being asked that the public take action at their homes and become prepared. The public will be asked to do certain things to limit the spread of disease in the community and that when public health orders are issued, individuals comply with them. She said the law enforcement community will be asked to assist in enforcing the public health orders. She indicated that a pocket guide, an educational tool, has been prepared that outlines everything individuals need to do at home. She requested the City assist the County in getting this pocket guide to every City resident. Citizens will be asked to adopt their preparedness kit for a Pandemic situation. She informed the Council that on June 7, a county-wide forum will be held and representatives from across the County will be invited to attend. Locally, they would like to work with the City in order to engage the local community and businesses to develop a coordinated effort.

Mayor Kennedy encouraged the County to work with the Chamber of Commerce as well, making a similar presentation to them.

Council Member Sellers stated that Morgan Hill has a variety of unique attributes that make the community even more vulnerable. He said that Morgan Hill is limited in its healthcare facilities; noting the City does not have a hospital or direct health facilities. In addition, Morgan Hill has the highest percentage of young families/children in the region. Combined with the fact that 80% of the workforce leaves town everyday and a few of these individuals travel throughout the country/world, individuals may have limited access to masks and gloves. He inquired whether there were specific things the City of Morgan Hill may want to undertake to prepare for a Pandemic Flu outbreak.

Dr. Olivas responded that it would be important for the County Public Health Department to work through the City's Office of Emergency Services to establish specific protocols in order to stock pile items needed for influenza care centers. Also, to be able to conduct outreach to the more vulnerable populations mentioned. It will be key that City government join the County in stock piling durable equipment; especially for the work places and the vulnerable population. She stated that it will also be important for the city attorneys to work closely with the County attorneys so that there is no problem in understanding the legal authority and actions that may need to take place.

Dr. Fenstersheib stated that government cannot take care of approximately 2 million residents. By the County visiting each city, it is their hope cities take stock in terms of special needs in the community. He indicated that we are in alert period at this time and that this is the time to become prepared. He said that several individuals can start getting their supplies, but that government needs to figure out where the most vulnerable populations are and identify those without access. It was his hope that government can provide for these individuals to make sure they have adequate supplies to care for themselves.

Mayor Pro Tempore Grzan noted that it was mentioned, in the presentation, that there would not be enough hospital beds available. He indicated that Morgan Hill has a wonderful hospital facility and inquired whether there was a potential to bringing the hospital on line, if needed. He expressed concern that there will not be enough beds available to care for the sick.

Dr. Olivas said the County could explore the use of the former Morgan Hill hospital. However, even if the hospital was to be brought back on line, staffing will be a challenge. In the County's planning, they have been making an inventory on what is available in the different communities for the influenza care centers, or other opportunities.

Dr. Fenstersheib said that it is more likely the influenza will hit the Country's metropolitan centers because this is where major travel takes place (e.g., international airports). From there, the influenza will migrate into the small communities and then into the rural areas. He indicated that there is very little national planning taking place to assist local areas. The federal government has told local areas that they are on their own. It is the federal government's goal to deal with the stock piling of the vaccine and improve the technology for vaccine research. He stated that it will be the responsibility of the government to get the vaccines to local government. What he has heard is that the federal government will not come to the rescue. Therefore, the County is not waiting to assume the federal government will assist the County.

Mayor Kennedy noted that the brochure presented this evening contains a list of items that should be included in a preparedness kit. He felt it important that everyone receive a copy of the pamphlet and put a preparedness kit together.

Dr. Olivas stated that she would like to work with City staff to determine how best to have enough copies of the pamphlet available; and to figure out a way to send the information to residents, such as through the City's utility billing.

Council/Agency Member Carr entered and took his seat on the Dais.

RECOGNITION

Mayor Kennedy presented a Certificate of Recognition to Mark Curtis; recognizing him for being the *2006 Mt. Madonna YMCA Teen Volunteer of the Year*.

CITY COUNCIL REPORT

Council Member Tate reported that he started his day in Sacramento at 8 a.m. He said that the Council has opportunities 3-4 times a year to go to Sacramento with organized groups to lobby such as Legislative Days, trips sponsored by the Silicon Valley Leadership Group and the League of California Cities. The trip he took today was sponsored by the California Library Association. He stated that this was a well spent day as individuals were briefed for two hours before speaking to legislators on issues. He indicated that the Public Library Foundation is an item that is under funded. If fully funded, it would be funded by the State at a level of \$89 million; indicating that last year, the Foundation was funded at \$14 million. He stated that the Public Library Foundation oversees the money the State gives out on a per capita basis. Whatever is allocated, they take this money and allocate it to every single library facility on a per capita or population basis. At lunch, there was discussion about what could be done with a fully funded Foundation such as the possibility of having Sunday hours at the library in Morgan Hill. Having this funding source provides communities with the ability to provide various library services; thus, the reason elected officials spent time in Sacramento. He indicated that the group visited 5 – 6 legislators; making it back at 5:30 p.m., in time for his Committee and Council meeting.

CITY COUNCIL COMMITTEE REPORTS

None.

CITY MANAGER REPORT

City Manager Tewes reported that a supplemental report for item 8 reflects the latest estimates from PG&E about their cost to relocate various utilities on Depot Street. He said that staff recommends Item 8 remain on the Consent Calendar, as it is important to keep the project on track. Although this reflects an increase in the estimates from PG&E, he would be authorized to sign the contract and lock in the price at this time, should the Council approve the item this evening.

CITY ATTORNEY REPORT

City Attorney Kern indicated that she did not have a report to present this evening.

OTHER REPORTS

City Treasurer Roorda presented the City Treasurer's Quarterly Report, as a member of the Financial Policy Committee. He indicated that the Committee tends to focus its presentation on the general fund and that he will hold true to this presentation as well this evening. He noted the City is three-quarters through the year. He said that the figures presented reflect the City is operating in a deficit this year. He indicated the City typically sees expenses come in fairly evenly over the course of the quarters of the year. However, revenues tend to come in an accelerated fashion. He said the City has projections as to where the City will finish at the end of the fiscal year; roughly \$1 million better than where the City projected it would be at this time. He noted the City still has an ample general fund balance and allows the City flexibility to meet its cash flow needs during the year when it has expenses early in the year without the revenue stream. The general fund balance has also provided the City with the ability to undertake some long term planning. He noted the City has a five-year plan that is somewhat culminating with the Community Conversation. The Council has the potential to take action, and the community will have the ability to make changes in the finances of the general fund in the future.

City Treasurer Roorda said that although the City has seen some increases in expenses by approximately 10%, the Committee has discussed these in previous presentations. However, there are substantial increases in revenues. He said that in speaking with City Manager Tewes before the meeting, it was his feeling that although expenses against the linear budget and against the year budget are running a bit high, he felt staff would be able to pull expenses in line by the end of the year and be on budget or better. Regarding revenues, the City has seen increases over the past year. What is being seen is a 14% revenue increase over last year's actual revenues. Vehicle in lieu fees and property taxes are up 22%. Sales tax revenues are up approximately 17% and other revenue sources are showing excellent growth rates. He presented various graphs relating to sales taxes, projected deficits, and projected revenue growth. The City needs to take this good information with a level of caution in terms on how the City uses the information going forward with projections. The bottom line message is that when staff comes to the Council with an end of the year budget analysis, things will look better for the City than originally projected.

PUBLIC COMMENT

Chairman/Mayor Kennedy opened the floor to public comments for items not appearing on this evening's agenda.

Bob & Maureen Hunt and Alex Kennett presented a loaner painting produced by Ms. Hunt's dad, commemorating the 112th Fourth of July parade. Mr. Kennett noted that IDI has partnered with the City for many years.

Mayor Pro Tempore Grzan indicated that a series of Community Conversations will soon end and that the Council will consolidate all the information gathered, conduct a final survey, and schedule public hearing(s) to reach a decision. He clarified the decision will be whether or not there is a financial solution to the City's deficit to take to the community in November 2006. He said that some individuals believe the Council wants citizens to select some sort of tax. However, he noted that a tax decision is not easy. He noted the City will be faced with two known tax measures and perhaps two other tax measures this year. The County is seeking a ½ cent sales tax, the School District is proposing a parcel tax, VTA is still talking about a transportation tax, and the City Council may submit another tax. He clarified that these taxes do not include the number of taxes already in place. He indicated that there are costs associated with government services that need financial support in order to fulfill the people's mandates. He noted the City has inspectors who ensure that homes are built to code, and firefighters/paramedics are available when needed. There are public parks and streets that need to be protected, maintained and paved so that waters will flow down creeks and streams and not on roads and highways. The City needs to provide piped water to homes for drinking and to water plants and lawns. He stated that government is not easy or cheap as it strives to provide services mandated in an environment of unlimited wants and limited resources.

Mayor Pro Tempore Grzan said that it was his belief that government can become more efficient. At the local level, the City is always looking at becoming more efficient and finding ways of reducing costs. The City needs to look at partnering and collaborating with other public and private agencies wherever and whenever possible. It was his belief the City should look at the feasibility of partnering with the City of Gilroy to form a new fire district to provide efficient fire services. Also, look at the feasibility of becoming a charter city so that the City can free itself of State constraints, and enjoy the opportunities a charter city provides; including new revenue to significantly alleviate the City's current deficit. It was also his belief the Council/City needs to look at the feasibility of economic advantages by consolidating dispatch services with a central provider such as the County in order to significantly reduce City costs while potentially increasing its level of services. He acknowledged that some of these suggestions are controversial. However, the current economic conditions require the City look at all of them.

Mayor Pro Tempore Grzan indicated that he was an advocate, prior to his election on the council, for local government to make better decisions with the funds the City receives on capital investments and community projects. He wants to make sure the City has the funding in place not only to build, but to maintain facilities. Any revenue estimates made must be made with the most conservative and local views in order to guarantee their success and the City's solvency. He felt there is much that can be done and will be done. He said the Community Conversation is a part of a larger process to inform the public and to make sure everyone is aware of the economic conditions in order to help identify possible solutions. He stated that if by chance any suggestions were excluded, they will be included in the Council's deliberations. He applauded City staff, members of the Chamber of Commerce, and others in their tireless efforts in working with this process. He thanked the many individuals who attended and took the time to join the City in grappling with these difficult issues. He stated that government does what it can in an endless struggle of competing interests to ensure health and safety; maintain parks, library, roads and open space; and provide services for everyone.

No further comments were offered.

Redevelopment Agency Action

CONSENT CALENDAR:

Chairman Kennedy requested that item 2 be removed from the Consent Calendar.

Action: *On a motion by Agency Member Tate and seconded by Agency Member Sellers, the Agency Board unanimously (5-0) **Approved** Consent Calendar Items 1 as follows:*

1. **MARCH 2006 FINANCE & INVESTMENT REPORT - RDA**
Action: ***Accepted** and **Filed** Report.*
2. **APPROVAL OF BELLINGER FOSTER STEINMETZ SCOPE OF WORK AND CONTRACT AMOUNT FOR ARCHITECTURAL DESIGN AND CONSTRUCTION DOCUMENTS FOR THE SPORTS COMPLEX PHASE ONE**

Mayor Kennedy stated that as he read through the scope of work, it was not clear to him that the consultant was being directed to provide the appropriate design work for 1 or 2 soccer fields.

Special Assistant to the City Manager Spier stated that the scope of work will include looking at two artificial fields with lights and parking at a different level (e.g., paved or gravel). She said that the construction documents will include 2 soccer fields, depending on the funding level. She said that there is a \$2.6 million budget for phase 1 and that staff is concerned that there may not be enough funding to construct two artificial fields as well as two fields with lights. She stated that staff will return to the Council to inquire as to the priority for phase 1.

Action: *On a motion by Chairman Kennedy and seconded by Agency Member Tate, the Agency Board unanimously (5-0): 1) **Authorized** the Executive Director to Prepare and Execute a Contract with Bellinger Foster Steinmetz in an amount not to Exceed \$230,000 for Architectural Services for Phase One of the Sports Complex Project on Condit Road, Subject to Review and Approval by the City Attorney; and 2) **Approved** a Professional Services Budget Adjustment of \$25,000 from CIP 114000 Regional Soccer Complex to CIP 115A02.*

City Council Action

CONSENT CALENDAR:

Mayor Kennedy requested that item 3 and Council Member Tate requested that item 9 be removed from the Consent Calendar.

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Approved** Consent Calendar Items 4-8 and 10-12 as follows:*

4. **NEW LIBRARY CONSTRUCTION STAKING**

Action: **Authorized** the City Manager to Execute a Consultant Agreement with MH Engineering for Construction Staking of the New Library in an Amount not to exceed \$50,000; Subject to Review and Approval by the City Attorney.

5. **PURCHASE OF VEHICLES FOR PUBLIC WORKS DEPARTMENT**

Action: 1) **Authorized** Vehicle Purchases through the State of California General Services Procurement Process for the Vehicles Identified in this Staff Report, for a Total Cost of \$190,454; and 2) **Declared** the Vehicles identified in the Spreadsheet as Surplus and for Sale at Auction.

6. **CITY POSITION ON SANTA CLARA VALLEY WATER DISTRICT ENABLING LEGISLATION**

Action: **Authorized** the Mayor to Send a Letter Supporting AB2435.

7. **SUSTAINABLE SILICON VALLEY PARTICIPATION**

Action: **Directed** Staff to have the City Become a Partner in Sustainable Silicon Valley (SSV), with Annual Partnership Dues of \$1,000 Charged to Fund 232, Environmental Programs.

8. **AGREEMENT WITH PG&E FOR DEPOT STREET UNDERGROUNDING UTILITIES PROJECT**

Action: 1) **Authorized** the City Manager to Execute an Agreement with PG&E, Subject to Review and Approval by the City Attorney, in the Amount of \$438,699 for Completing the Engineering Design Work and Installation Costs for the Depot Street Undergrounding Utilities Project; and 2) **Authorized** the Use of \$340,000 in RDA Funds for the Depot Street Undergrounding Utilities Project (537004) that was Previously Approved for the Depot Street Reconstruction Project (539005).

10. **ADOPT ORDINANCE NO. 1777, NEW SERIES**

Action: **Waived** the Reading, and **Adopted** Ordinance No. 1777, New Series, and **Declared** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO ORDINANCE NO. 1708, NEW SERIES, AMENDING THE DEVELOPMENT AGREEMENT FOR APPLICATION DA-04-06: COCHRANE-BORELLO. (APN 728-34-007).**

11. **ADOPT ORDINANCE NO. 1778, NEW SERIES**

Action: **Waived** the Reading, and **Adopted** Ordinance No. 1778, New Series, and **Declared** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING TITLE 2, CHAPTERS 2.22 (MASTER PROVISIONS FOR BOARDS & COMMISSIONS), 2.28 (HEALTH COMMISSION), 2.32 (PARKS & RECREATION COMMISSION), 2.56 (ARCHITECTURAL & SITE REVIEW BOARD), 2.64 (MOBILE HOME RENT COMMISSION), AND 2.68 (LIBRARY, CULTURE & ARTS COMMISSION); AND ADDING SECTION 2.70, SENIOR ADVISORY COMMISSION OF THE MORGAN HILL MUNICIPAL CODE.**

12. SPECIAL CITY COUNCIL MEETING MINUTES OF APRIL 12, 2006

Action: Approved the Minutes as Submitted.

3. MARCH 2006 FINANCE & INVESTMENT REPORT - CITY

Mayor Kennedy said that there is good news with respect to the City's sales tax revenue as shown in the Finance & Investment Report. He requested a staff report be presented so that the public can see what is happening with respect to sales tax.

Finance Director Dilles identified what has been taking place over time with the various components of the City's sale tax. He indicated that growth has been taking place in gasoline and auto sales. Although the sales tax picture looks good, the City needs to be careful with the information because any time the City is dependent on one source of sales tax revenue, the City may be vulnerable to downturns. He indicated that the price of gasoline is volatile and can drop. Most of the other City's sales tax has been relatively level.

Mayor Kennedy indicated that City Manager Tewes recently released information that the percentage of vehicle sales growth was at approximately 171% in new auto sales over the previous year, and that the growth in gasoline sales tax was up by 24%. He stated that the Council is often criticized for focusing on auto dealerships as a source of revenue. He indicated that the information presented is a good reason the Council has spent a lot of time, and worked hard to focus on bringing more auto dealerships into Morgan Hill because they do have a significant impact on the City's revenue. He noted that the graphs presented by Mr. Dilles shows a drop in sales tax revenue in 2001 and a steep, sustained rise in the past several years. He noted that the last four calendar quarters have been the largest in the history of the City. It surpasses what was done in 2001 when the City reached its peak. He felt this to be significant information and wanted to point this information out to the public.

Action: On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) Accepted and Filed Report.

9. ADOPT ORDINANCE NO. 1776, NEW SERIES

Council Member Tate requested a separate vote be taken on item 9.

Action: On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council Waived the Reading, and Adopted Ordinance No. 1776, New Series, and Declared That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING ZONING AMENDMENT APPLICATION ZA-05-27: SANTA TERESA – BLACK ROCK LLC (APN 779-02-002) by the following roll call vote: AYES: Carr, Grzan, Kennedy, Sellers; NOES: Tate; Abstain: None; Absent: None.**

City Council Action

OTHER BUSINESS:

13. COMMUNITY SPECIAL EVENT FUNDING REQUESTS FOR FISCAL YEAR 2006-2007 BUDGET CONSIDERATION

Special Assistant to the City Manager Spier presented the staff report regarding the establishment of a formal process for community-wide special events. It is being recommended that community-wide special events that occur on an annual basis are to submit a formal application requesting in-kind services and/or funding so that the Council can review the funding requests in totality. This would allow the Council to discuss how it would approach funding requests during the budget process. She informed the Council that staff sent out a request for proposal and that staff looked at event organizers who traditional hold community-wide events in Morgan Hill that have required city services and funding in the past. She indicated that the groups who participated and submitted applications were: Safe Trick or Treat (\$5,600); Holiday Lights Parade (\$1,065); Mushroom Mardi Gras (\$5,000 for FY 06-07 budget year); Fourth of July (\$25,000); and Caliman Triathlon (\$5,000); for a subtotal of \$41,665 in funding/in-kind contributions for these events. There were other submittals that did not fit the community-wide application process. She requested the Council review these requests and decide whether there are to be new policies and procedures that staff needs to pursue.

Ms. Spier noted that the Council has been faced with sponsorships of events at the community center throughout the year. Unsolicited requests have been made by Poppy Jasper (\$4,600 in facility rental assistance), Live Oak High School Grad Night (\$5,000 in funding), and United Way 211 (\$10,000 in funding for program development with the idea the Council will be approached annually for contributions based on population). This category's subtotal equates to \$19,600, for a total funding request of \$61,265. She informed the Council that staff added a 3% contingency because there are a lot of unknowns as staff will not know the total costs associate with events until needs are determined and included.

Ms. Spier requested the following: 1) Council reviews the proposal, hear comments from representatives in attendance, and provide funding direction for the Fiscal Year 2006-07 budget for community-wide events. She informed the Council that Mushroom Mardi Gras has not requested funding assistance for Fiscal Year 2005-06. 2) Council to determine whether a separate policy should be established regarding the applications that do not fit the community-wide process. This could be a process the Council sends back to the Public Safety & Community Services Committee; asking them to work through the policies. 3) The Council to provide direction regarding funding United Way's 211 Call Center for \$10,000, indicating that it was her belief that United Way was under a timeframe.

Council Member Tate noted that there are items associated with the Safe Trick or Treat event: public works assistance and police patrol. He noted these services were common to all requests. He noted that there is a \$2,500 charge for rental equipment to be used for street closures. He did not believe other community-wide events have this charge, and felt this to be a common expense for all downtown events.

City Manager Tewes said that it has been the City's practice to require that there be advance warning of road closures as part of the special event permit. He noted that the Safe Trick or Treat event tends to take place in the afternoon during commute hours. Rather than bringing the commuters south to Main Street, the City rents reader boards and provides advance notice as far north as Cochrane Road. This will inform commuters that on a certain date/time, street(s) will be closed.

Ms. Spier informed the Council that staff included a 3% contingency because she did not believe all costs were captured. Therefore, the reader board item may show up for all the other events at different levels.

Council Member Carr did not understand why there is a disparity in public works costs for the Safe Trick or Treat and the Holiday Lights Parade.

Ms. Spier informed the Council that the Holiday Lights Parade organizers do a great job in getting volunteers to assist as well as securing sponsors for this event. She said that even though the same requirement for street closure may apply to many of the events, the level of volunteer support and donations affects the amount to be funded. She clarified that the requirements imposed by the City for each group remains the same; however, the level of contributions by the organizations may be different.

City Manager Tewes informed the Council that the Taste of Morgan Hill is a special event held in the downtown; sponsored by the Chamber of Commerce. The City has a contract with the Chamber of Commerce for economic development activities. He said the Council has indicated that one of these activities is to support community-wide advertising at the Taste of Morgan Hill. Therefore, the Economic Development Contract provides support for the Taste of Morgan Hill.

Ms. Spier informed the Council that organizations were invited to submit their requests for funding and that the City did not receive requests for funding from Grand Prix, Friday Night Music Series or the Taste of Morgan Hill.

Mayor Kennedy opened the floor to public comment.

Franz Ingram said that the Mushroom Mardi Gras organization sent letters; indicating that they want to work with downtown businesses and accommodate them by not placing competing vendors adjacent to businesses. He said that he has been trying to work with the Mushroom Mardi Gras event coordinators since February in trying to get a booth assigned in a location where it is not encroaching onto the street or causing problems; yet be competitive with the surrounding vendors. Since February, they have not gotten anywhere other than getting two feet of asphalt in front of his building (Trail Dust). He indicated that this is not enough space to be competitive with outside vendors. The letter also stated that they would not place competing vendors near businesses. He felt this to be a false statement in terms of what the event is doing. He said that Trail Dust cannot compete on equal footing with the rest of the vendors if not allowed to place a booth in front of the business. He stated that it has been hard to attract the customers needed while providing extra staff and spending more on food costs.

Mayor Kennedy stated that he would find it difficult to support funding to an event that hurts downtown businesses. He encouraged Mr. Ingram and the Mushroom Mardi Gras organizers to talk before the Council discusses taking action on this item.

Rich Bergin felt the Mushroom Mardi event is a dangerous event. He said that last year's event was in the verge of being out of control. He said that he witnessed a high level of intoxication last year without enough security to control it if an incident occurred. He said that this festival has been put on for many years, and felt that the event does not provide the level of funding to charities that it should. He noted that the Taste of Morgan Hill, a similar festival, provides \$60,000-\$70,000 to the Chamber of

Commerce. A one night event that takes place at the Community Center provides over \$60,000 to charities last year. According to the Mushroom Mardi Gras website, they average approximately \$12,000 per year in charity donations; noting that this is a festival much larger in scope than the other events. He stated that he does not like the Mushroom Mardi Gras festival and does not like what it brings to Morgan Hill. If the festival provided a lot of support to charities, he would step aside. However, he felt that the level of charity support this event provides is under what it should be.

Alex Kennett addressed the changes made to the Fourth of July festival by Independence Day Inc. (IDI) over the past several years. He indicated that the festival moved from the Friendly Inn to the downtown. IDI will be taking advantage of the family festival successes of the past. He indicated that a pre fire work show will be held. He stated that IDI is on the same path as it has been in the past. In response to Council Member Carr's question, he said that the request is based on the new venue for the family festival and the car show.

Council Member Tate said that in the past the Council has heard IDI representatives state that they would try to wean IDI from City subsidy. He inquired whether any progress was being made toward this, and if not, what is preventing IDI from doing so.

Mr. Kennett said that every year there are different levels of costs and different levels of requirements (e.g., insurance, public safety, etc.). He said that is hard not to seek City assistance when they do not know what they are planning against. He stated that it was found that escalating costs prevents IDI from weaning itself from City assistance.

Dan Craig, Downtown Association, stated that the Safe Trick or Treat event is growing in popularity and is in its 10th year. The event has evolved to street closures and inflatable activities. He said that the Downtown Association has always been able to raise enough money through fundraising efforts in order to break even. He indicated that this has never been a money maker or been viewed as a money maker. He felt that this was truly a community event; a place where children can trick or treat in a safe place. As the event grew and the streets remained opened, it was not safe. Therefore, the streets were closed without understanding the magnitude of what needed to be paid for street closures. He said that the \$5,500 cost for street closures affected a lot of other items done the rest of the year in order to compensate for paying this bill. The Downtown Association had to cut corners and conduct additional fundraising efforts to raise funds. He informed the Council that the Downtown Association has a more aggressive fundraising plan this year as this is their flag ship event at this time. He indicated that an income source does not exist for this type of event. They are looking for corporate donors and asking everyone to donate. He indicated that the Morgan Hill Community Bible Church has provided in kind donations in excess of \$5,000. Merchants gave out over \$5,000 in candy, and sponsors covered the cost of approximately \$2,500. He said that the Downtown Association raises approximately \$13,000-\$14,000 for this event. He informed the Council that the Downtown Association will move forward with the event as the community wants it. However, an event like this should be an exception to these events that have the opportunity to bring in money. He informed the Council that message signs cost approximately \$1,750 to rent. He indicated that he presented staff with a breakdown of all the expenses and income sources. No matter how creative their fundraising is, the amount needed to put on this event cannot be raised.

Mr. Craig said that the Downtown Association is aware that some businesses support the Mushroom Mardi Gras event while others do not. He did not believe the event criteria adopted by the Council went

far enough for a lot of the downtown businesses as far as what should be required of businesses coming into the downtown area. It was their hope that the Mushroom Mardi Gras would accommodate and cooperate to make sure that the types of situations addressed this evening do not arise. He said that the Downtown Association does not have a position on the Mushroom Mardi Gras event or the Trail Dust dispute, but believes that Mushroom Mardi Gras needs to accommodate them and resolve their concern. He agreed that alcohol intoxication is a concern for any event that comes to the downtown; however, the Downtown Association Board of Directors has not taken a position on this issue.

Kim Bush indicated that the Poppy Jasper Film Festival is back for its 3rd year. The event will be opened for submission to film makers world wide. Therefore, this will become an international event. She informed the Council that the first two-years, 75% of the budget went toward city rental. While she has received cooperation from sponsors in town, these are hard costs. She said that the Poppy Jasper Film Festival has become a new business in town. She said that a Board decision was made not to use the Community Center because they do not have enough dollars. However, if they were able to receive assistance with the Playhouse, this would be seed money to welcome the City as a sponsor. Although Poppy Jasper is fiscally sound, there are expenses associated with start ups where a little assistance is needed at the beginning. She said that they are seeking in kind donations for the Playhouse rental in the amount of approximately \$4,500-\$4,600. She stated that Poppy Jasper would be willing to pay for the attendants costs.

City Manager Tewes noted the Council recently adopted a new pricing policy for the Playhouse which would make it more affordable; resulting in fees being reduced for the event described. The policy question is to what level the Council wishes to support the Poppy Jasper Film Festival.

Sunday Minnich said that she did not expect to be in attendance defending Mushroom Mardi Gras. She said that she would be more than willing to speak to each council member regarding what has transpired with Trail Dust. She said that they have every intention of working with Trail Dust; offering them 20-feet on Monterey Road for their barbeque. She indicated that Dan Sullivan has met with Eric Ingram several times. She said that the first time they heard that Mr. Ingram was not satisfied with their location was two days ago when Bruce Tichinin called them with concerns from Trail Dust. She finds herself caught off guard because she felt the situation was rectified. However, this does not mean they are not willing to work with the Ingrams as they want the downtown businesses to be successful and partner with Mushroom Mardi Gras.

Ms. Minnich informed the Council that they met with Lt. Joe Sampson and the Police Department to discuss how they can increase safety for the downtown. They were told that as big as the crowd was, there were minimal problems. She indicated that the Police Department is doubling the police force for this year's festival; adding approximately \$4,000 to the bill than in the prior year. They have increased their security through Atlas Security to help rectify the situation. She felt the Mushroom Mardi Gras event is a great benefit to Morgan Hill. Its sole purpose is to provide educational scholarships to Morgan Hill Unified School District as well as providing over \$10,000 in donations to non profit clubs and organizations who participate in the festival. She said that relocating the festival to the downtown was not their first choice, and was something they were forced to do. They are trying to do everything they can to make everyone happy.

Ms. Minnich indicated that Mushroom Mardi provides over \$10,000 to non-profit clubs/organizations each year. Mushroom Mardi receives 190 applications for scholarships each year. Last year, they

awarded 17 - \$1,000 scholarships based on the net profit made. It is Mushroom Mardi Gras' goal to provide \$32,000 in scholarships this year; increasing the award from \$1,000 to \$1,500 to 20 students. She stated that Mushroom Mardi Gras met with Dan Craig and the Chamber of Commerce to discuss issues associated with all events approximately a month ago. As far as they knew, they felt the Downtown Association was supporting this event as long as they met their guidelines. She stated that she would be willing to do everything possibly to make everyone happy.

Dan Erhler stated that the Chamber of Commerce would recommend the Council ask staff to develop a separate policy that would address public facility rental rate discounts as recommended under item 13.3. He said that the Chamber of Commerce would like to participate in the development of such a policy. He informed the Council that a few months ago, he and Gary Bechtel were before the Council to discuss the national retrieval championship trails, and the benefits this program brings to a community. He said the Chamber of Commerce and Holiday Inn Express are working with another group that will bring 400 dogs to Morgan Hill in September 2006 for a two-week program. He would like the City to create a policy for an event like this that brings in a lot of new dollars into the community. He recommended the City welcome organizations that will return to the community in years to come. He felt that developing a discount policy would be beneficial and profitable for the City.

Council Member Tate said that the Financial Policy Committee met this afternoon and discussed United Way's 211 Call Center. The Committee did not come to a final position as three members of the Committee wanted to receive additional information to understand the specifics about what the money goes toward and the specific benefit to Morgan Hill. He said that two other members of the committee were not excited about this, but were willing to review additional information, if made available.

City Manager Tewes informed the Council that the executive of United Way was in attendance this evening should the Council have any questions. He stated that it was his understanding that the City of San Jose has committed approximately \$100,000 as has the County. He noted that the request is for City funding in the amount of \$10,000. He said that it was his belief the Committee wanted to have the Council hear more information about the 211 program before making the funding decision. He noted that it has been approximately two-years since the City adopted a position in support of the 211 program. He said the City could schedule a presentation by United Way on the features and benefits of the 211 program as suggested by the Council.

Mark Walker, United Way, indicated that he would be happy to return to the Council with additional information. It is their goal to have every community in Santa Clara County involved in whatever way it is comfortable to help bring this service forward. He said that the Pandemic flu and the gulf hurricane are the best examples of how communities could benefit if 211 was made available for immediate crises. This program would operate 24-hours a day, 365 days a year. He informed the Council that 211 has been implemented in all of Southern California and that San Francisco launched the program on March 29, 2006. He indicated that United Way has not submitted their application to the Public Utility Commission because they are still working on preparing the application. One of the requirements for application submittal is to have 15 letters in support from different entities and organizations throughout the county. It is the goal to submit an application in June 2006. He said that this is a time sensitive issue because it is a critical public need. Also, for budget cycle purposes, United Way wanted to make sure they come before all municipalities in the County prior to the beginning of the fiscal year. They have a goal of getting this project up and running by February 11, 2007.

Mayor Pro Tempore Grzan indicated that he would like to review examples on how 211 is used; including statistics and examples of success stories in order to see the potential value for Morgan Hill.

No further comments were offered.

Council Member Sellers felt that all items before the Council provide worthy services and that in most cases, the agencies are looking for stop gap funding. He recommended the Council allocate approximately \$60,000, working with the entities to try to reduce some of the costs. The Council is to ask Mushroom Mardi Gras to return to a Council committee in order to address specific items. He noted that the Council received an extensive presentation from United Way on 211 prior to Council Member Grzan being elected to office. He recommended the Council committee schedule this item quickly in order to return to the Council by the end of May 2007.

Council Member Tate indicated that the Public Safety & Community Services Committee believes the entire Council should review the 211 funding request, and not refer it back to Committee.

Council Member Carr said that he has heard a presentation on the 211 call center at a prior Council meeting and that he has heard about it in other areas as well. He stated that he is comfortable in moving forward with a letter in support. He was not sure whether it was the funding or the program that was of concern to committee members.

Mayor Pro Tempore Grzan stated that he was supportive of the concept and would support moving forward with a letter of support at this time. However, he needed additional information before determining the level of funding to be considered.

Action: *Council Member Carr made a motion, seconded by Mayor Pro Tempore Grzan, **to send** a letter in support of the 211 Call Center to the Public Utilities Commission.*

Council Member Tate indicated that he would like to receive a presentation before agreeing to send a letter of support. He would like to know whether the 211 call center is working.

Vote: *The motion carried 4-1 with Council Member Tate voting no.*

Council Member Carr felt the Council needs to spend some time getting a better handle on the City's costs for community-wide events. He did not understand why there is a variety of costs to items that seem to be similar; and yet, the costs being requested are different. He felt it would be helpful to come up with a template for the true costs to close Monterey Road. This would give the Council a better sense of what kinds of dollars are being asked to be put into the different programs. He did not understand why staff included the Calimon Triathlon as qualifying for the existing guidelines.

Ms. Spier informed the Council that she was asked to include the Caliman Triathlon because they had been before the Council asking for economic development dollars. She did not know whether the Council wants to look solely at non profit groups or whether it wants to look at for profit groups that need seed funding to move forward.

Council Member Carr inquired whether the Triathlon group provides the scholarships or donations to non profits as the other groups do.

Andrew Locicero, representing Caliman Triathlon group, clarified that they are a for profit company. However, when they come into communities, they pay between \$10,000-\$20,000 to 501c3 groups in the area for their volunteer service. He indicated that he has not met with the Downtown Association organization. He informed the Council that this event brings in approximately 1,000 – 1,200 athletes to the area for at least two days. Typically, this event sells out hotels in local areas, and he does not anticipate this being different for Morgan Hill. The restaurants and stores in the area benefit from athletes coming in. He indicated that there would be approximately 4,000-6,000 people brought in to the community as well as 300-400 volunteers. Costs associated with the event include police and public works department costs. He is asking the City to assist with recovering these costs as they would like to use the community center for the event venue.

Ms. Spier said that as staff defines this process, staff is finding the City is not standardized as to what is being required of the groups. Staff would like to standardize costs at some point.

Council Member Sellers felt there are two parts to this item: 1) the budget allocation process and what money the Council determines should be appropriated; and 2) how to weigh the variety of issues related to the process; and determining who would qualify/not qualify for the process.

City Manager Tewes said that there are two different issues. The primary issue was brought to the Council's attention that arose from a Council meeting where the Council stated it wanted to bring some order to what had been a disorderly process. Organizations would come to the Council, from time to time, on their calendar and not on the Council's budget calendar requesting funds after budget adoption. If there were any organizations who wanted to have the opportunity to have their project be considered in the process, they were to notify City staff. It was his belief that Council Member Sellers' motion suggests the City Manager be directed to include \$60,000 in the Community Promotion budget. The distribution of the funds is to be subsequent decisions to be made by the Council. He informed the Council that when an organization wishes to have a festival or event that uses a city street or public property, they are required to obtain a staff issued special event permit. Staff evaluates the special event permit individually based on specific requirements. He noted that specific requirements vary for each organization; thus, the costs imposed vary. He said that should a downtown festival require more police protection than another, there will be additional costs to that event. He indicated that the \$25,000 for IDI has been a consistent allocation from the City; some used to pay for insurance, fireworks, and/or to pay staff costs. He reiterated that each event has different costs because they are different events. Therefore, there cannot be a standard approach to determining costs as they vary. He noted the Council has already adopted a policy that identifies under what circumstances the City Manager should issue special event permits in the downtown area. He urged the Council to allow staff to continue to evaluate each event on the basis of their requirements rather than applying a standard.

Council Member Carr felt that City staff should evaluate the costs associated with the closure of Monterey Road. If an event requires that an event organizer place signage at Monterey and Cochrane, this would be an addition to the cost of the use of the downtown area. A run or a parade would be in addition to these costs. He felt the City should be able to standardize what the costs are for the downtown.

City Manager Tewes stated that City staff does know the costs associated with the closure of the downtown. He indicated that the data presented to the Council does not show these costs. What is being

seen this evening are requests for funding from various organizations. He noted that some of the organizations in attendance this evening addressed their costs in different ways. They try to pay for costs through fundraising efforts, through donations, or by City funding assistance.

Mayor Kennedy felt the Council needs to understand how staff calculates costs under the current policy.

Council Member Tate felt that the requests need to be separated under two different categories. Further, that one of the categories requires additional policy development. He noted that Safe Trick or Trick, Holiday Lights Parade and the Fourth of July events are traditionally community-wide events that all Morgan Hill residents take advantage of. He felt that Mushroom Mardi Gras is a different event. It is an event that makes a profit for non profit reasons. He was not sure why the Council is considering allocating \$5,000 to this organization so that they can grant \$5,000 in scholarships. It could be that the City Council awards the \$5,000 scholarship. However, when you look at the economic advantages the Mushroom Mardi Gras festival brings to the City; it may have merit under this category. He agreed that the Triathlon event may have economic benefits. He felt that policies need to be developed, should the Council decide to fund events that have potential economic benefit. He felt that the Poppy Jasper Film Festival may fit under this category as well. He said that there were some events that could be considered community-wide events, and that the City should budget for each year such as the ones he identified. Further, that the City develop policies in terms of how it would treat events with potential economic returns.

Council Member Sellers said that there are residual benefits from events and goes along with economic development activities the Committee has been trying to promote. He recommended the Council provide general parameters to make it easier to provide funding and to allow the Council to go back to the community to clarify that this is not just a charitable action it is undertaking. Funding events would be good for the community, economically, and is providing a return.

Action: *Council Member Sellers made a motion, seconded by Council Member Carr: 1) to **direct** the appropriation of \$60,000 in general fund revenues to the Community Promotions Budget as a parameter for staff consideration for Safe Trick or Treat, Holiday Lights Parade and the Fourth of July events. 2) Mushroom Mardi Gras event **to return** to the Public Safety & Community Services Committee to address the concerns raised this evening. 3) The Public Safety & Community Services Committee and the Economic Development Committee **to look** at the economic development benefits parameters it may wish to establish for Council consideration.*

Mayor Pro Tempore Grzan inquired whether the motion included the additional requests for potential funding (e.g., Poppy Jasper Film Festival, Live Oak High School grad night).

Council Member Sellers said that he lowered the funding to \$60,000. It was his hope that staff would work with organizations to see if costs could be reduced.

Mayor Pro Tempore Grzan asked what would happen to other groups that come to the Council during the course of the year. Would funding requests be considered on a case by case basis?

Council Member Sellers said that it would be his expectation that organizations would need to request funding during the April funding cycle. If there is an emergency situation, they can come before the Council.

City Manager Tewes informed the Council that it previously established a policy that in March, staff is to seek proposals from organizations who will be asking for funds in a subsequent budget year. He noted that this is the first year the Council will be implementing this policy. Unless the Council changes this policy, staff would continue with this policy.

Council Member Carr said that it was his understanding that the motion stipulates that \$60,000 would be included in the Fiscal Year 2006-07 Community Promotions budget for special events. However, it will only be the events being discussed this evening that would qualify for this funding.

Council Member Sellers clarified that it is the policy that organizations are to come to the City once a year for funding requests. Unless there is a good reason to consider a funding request outside this process; otherwise, funding requests would be considered once a year.

Mayor Pro Tempore Grzan stated that he did not feel comfortable confining the Council to considering funding requests once a year. He felt the City made a good effort to notify event proponents to come before the Council as early as possible to provide the City budget estimates so that the City can plan for the funding requests. However, should there be other groups in dire need of funding; he would like the opportunity to have the other community groups come before the Council throughout the year for funding considerations on a case by case basis. He felt that it was the intent of this process to avoid the trickling affect.

Council Member Tate said that he would like to approve \$32,000 for Safe Trick or Treat, Holiday Lights Parade and IDI. He did not support funding other events this evening. He felt the City needs to develop policies in terms of how to allocate funding based on economic return for the other events.

City Manager Tewes said that staff needs to know the amount to be included in the Fiscal Year 2006-07 budget. He noted that in the past, the Council did not provide funding and that this evening; the motion stipulates inclusion of \$60,000 in the budget. This funding will add to the general fund expenditures and will be included in the budget the Council will see on May 15. Subsequently, the Council will need to enter into specific agreements with organizations on how and under what circumstances it would allocate funds. He stated that this would be distinct from the special event permit process that establishes the conditions of approval that is issued by staff. These are instances where organizations are asking for the allocation of tax payer dollars to support their events. The Council would review the funding requests individually as the events come forward.

Council Member Tate said that it was his belief the Committee would be asked to come up with a policy the Council will use to decide whether there is economic benefit to the event and that the Council should fund the event at a certain level.

Mayor Pro Tempore Grzan stated that he could support setting aside \$60,000; working with the individual groups in determining needs. He said that there may be a possibility of reducing costs that would allow a partial contingency from these funds for other requests that may come forward. He felt it

would be good to begin the year with some dollars in the budget and then work through the year on how to distribute the funding.

Council Member Tate clarified that he had concerns with the funding requests with the exception of Safe Trick or Treat, Holiday Lights Parade and IDA. He did not know whether the motion stipulates funding for these three events.

Council Member Sellers clarified that his motion stipulates that only the persons who submitted an application for funding could vie for the \$60,000.

Council Member Carr noted that this clarification does not address Mayor Pro Tempore Grzan's concern. He was not sure that he could support the dollar amount being requested by these three groups. However, he felt that these three groups should leave the meeting this evening with the understanding that they would receive some level of funding. If the City could save some money, the Council could create a reserve for events that will come forward for funding in the fiscal year. He noted the Council is trying to avoid having each event come before the Council for funding when no funding is allocated, yet the Council continues to fund annually. He felt the Council was trying to avoid past practices.

Mayor Kennedy noted that it was suggested that the Council take this step after the motion passes.

Council Member Carr noted that it was clarified that only the groups discussed this evening would be eligible for funding. He did not believe this to be realistic. He felt that once the \$60,000 has been appropriated, the Council will be back to where it was where organizations will come before the Council and that the Council would appropriate funding from the general fund reserves.

Council Member Sellers noted the Council will be establishing a policy that applications will be accepted during the budget preparation cycle unless an organization can prove extenuating circumstances. By taking action, the Council has taken care of the organizations that will come to the Council every year.

Mayor Kennedy noted that the City has taken an active step in reaching out to the groups in order to try to get all the requests for funding submitted.

Council Member Carr felt the Council has taken huge steps from where it was in the past in terms of receiving/hearing funding requests. However, he felt that Mayor Pro Tempore Grzan raises a valid point that should an organization come before the Council in the fiscal year and the Council has appropriated the \$60,000, what will the Council do? Will the Council state that there is no more funding?

Mayor Pro Tempore Grzan stated that he would like to hold part of the \$60,000, work down the numbers, and to have some monies in reserve to cover some of the contingencies that may come up during the course of the year. He did not support restricting funding solely to the organizations that submitted an application.

Council Member Sellers stated that he would support not limiting funding solely to these groups.

Council Member Tate did not support a contingency reserve because the Council would not be placing a process in place where organizations understand they need to apply during the funding cycle. He felt the

Council needs to adopt a process that will direct organizations to follow the process; submitting funding requests to the City once a year.

Council Member Carr noted that the process was put together mid-way through the year. He expressed concern that an organization may not have known the City implemented a process, and did not have the opportunity to be a part of the funding cycle request. He felt the Council should try to be more accommodating this budget cycle. Once the Council completes a full year of the budget cycle, the Council would have a complete year with the policy in place. He recommended the Council establish the process before identifying the limited number of applicants who will receive funds.

Mayor Kennedy clarified that the motion does not limit funding appropriations to these specific applicants. He said that a following motion could be to establish the process as discussed by Council Members Carr and Tate.

Vote: *The **revised** motion carried unanimously (5-0).*

Action: *It was the consensus of the Council to **refer** the development of a policy/criteria, incorporating economic returns as part of the policy, to the Public Safety & Community Services Committee.*

Mayor Kennedy indicated that he heard the Council state it wants to provide general support for specific projects this evening.

City Manager Tewes noted that IDI will be holding an event on July 4, 2006. The allocation of funds would come from next year's budget. He said that each year, staff develops an extensive contract that contains specific insurance requirements, responsibilities, and financial reporting requirements on the part of IDI. If it is the intent of the Council to allocate the same \$25,000 it has allocated in the past, this would be helpful to know as staff can return to the Council with the appropriate contract prior to July 4.

Action: *Council Member Sellers made a motion, seconded by Council Member Tate, to earmark \$25,000 of the \$60,000 toward IDI. The motion carried unanimously (5-0).*

14. APPOINTMENTS TO FILL VACANCIES ON THE LIBRARY, CULTURE & ARTS COMMISSION AND THE PARKS & RECREATION COMMISSION

Mayor Kennedy noted that the Council has been provided with a copy of the tally of recommendations from the Council Members. He announced that after considering the Council's recommended appointments, he would be making the following appointments: Library, Culture & Arts Commission: Einar Anderson, Chuck Dillmann, and Marie-Christine Briot Connolly; and Parks & Recreation Commission: Mark Frederick, Kimberly Leiser, Marilyn Librers and Craig van Keulen.

Action: *On a motion by Council Member Sellers and seconded by Council Member Tate, the City Council unanimously (5-0) **Ratified** Mayor's Appointment to Fill Vacancies on the Library, Culture & Arts Commission as follows: Einar Anderson, Charles Dillmann and Marie-Christine Briot-Connolly. Parks & Recreation Commission appointments are as follows: Mark Frederick, Kimberly Leiser, Marilyn Librers and Craig van Keulen.*

15. REPORT FROM THE CITY COUNCIL AD HOC TASK FORCE

Mayor Kennedy presented the report from the Council's Ad Hoc Task Force (AHTF). He indicated that the AHTF has put forth the recommendations as indicated.

Council Member Sellers referred to the monitor agenda planning recommendation. He encouraged opportunities to consolidate meetings; minimizing extra meetings if possible.

Mayor Kennedy indicated that the Council previously adopted a policy that authorized consolidation of meetings.

Mayor Kennedy opened the floor to public comment. No comments were offered.

Council Member Tate stated that the ethics training is a focus of the Council and should be Council driven; not staff driven. A Council member(s) could team up with staff on implementing ethics training.

Council Member Sellers clarified that AB 1234 is a State requirement. He said the City is limited in its opportunity for compliance, as there is a specific process, and only certain individuals can provide the ethics training. He said that there may be an opportunity to meet the ethics training requirement in a creative way. He did not believe the state requirement would result in the City losing sight of its value-based ethics policy.

Council Member Carr referred to item 1, council responsibilities for evaluations. He wanted the Task Force to return to the Council and recommend a process. He felt this is where the Council has fallen short as the process changes every time evaluations are conducted; including starting the evaluation process late.

Mayor Kennedy stated that a process and timeline has been identified.

City Manager Tewes said that the Council has a contractual obligation to complete a City Manager evaluation as stipulated in the employment agreement. He noted the Task Force is recommending a process for the evaluation. He stated that each council member will soon receive evaluation material that outlines the schedule as recommended by the Task Force.

Mayor Pro Tempore Grzan indicated that the Task Force went through an extensive review of tools that can be used, working with the City Manager on the instrument to be used. The Task Force is recommending that a standardized tool be implemented and administered over a given timeline. The performance evaluation would include goals and objectives to be completed at the first of the fiscal year. The Task Force is recommending the process be repeated every year; sticking with the process and the tool; tweaking as needed. This will result in a standardized process that is implemented in a timely fashion each and every year. It is to be executed properly and in place by the beginning of the fiscal year.

Action: *On a motion by Council Member Sellers and seconded by Council Member Tate, the City Council unanimously (5-0) **Adopted** the Ad Hoc Task Force Recommended Actions.*

City Council and Redevelopment Agency Action

OTHER BUSINESS:

16. COUNCIL GOAL: COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE COMMUNICATION PLAN FOR DOWNTOWN

Council/Agency Member Sellers indicated that the Morgan Hill Downtown Association met on Tuesday morning and that he and Director of Business Assistance and Housing Services Toy were in attendance, endorsing the half-day workshop concept that will incorporate a variety of items. He indicated that individuals from Cochrane Plaza will be bringing in real estate experts who will talk about some of the ballot initiative opportunities. Also, a communications plan will be developed this fall. He wanted to let the Council know that they are moving forward with both items.

Mayor/Chairman Kennedy said that it sounds as though the Committee is not prepared to proceed with a communications plan; but instead, relying on the RDA's communications plan.

Council/Agency Member Sellers stated that it was felt to be redundant to prepare a separate communications plan. He noted that the Downtown Association has set aside the funds to proceed with a communications plan; retaining a firm to assist. To proceed with a separate communications plan did not make sense. Therefore, the Committee felt it made sense to piggy back on their effort and utilize the consultant services.

Mayor/Chairman Kennedy felt that one of the objectives was to communicate the accomplishments that have been made with respect to the downtown.

Council/Agency Member Sellers stated that this process has been started. The Committee will incorporate this as a significant part of the communications plan. He said that the Committee will be working closely with the Redevelopment Agency.

Director of Business Assistance and Housing Services Toy said that staff will be returning to the Council in May 2006 with a proposal to retain a firm to prepare a communication-education plan for the Redevelopment Agency. As the RDA has been the primary funder of all the improvements in the downtown, as well as all the downtown projects, he felt this would be a component of the Agency's communication plan on the accomplishments and successes. The RDA would communicate what is taking place in the downtown and what has been accomplished. Following the workshop, the Committee will have an idea of what the new goals are for the downtown plan and the next steps. This information would be communicated to the Committee via the RDA mechanism, or the Committee may decide that there is a better mechanism that would be a separate process. He agreed that the downtown accomplishments are a success of the Agency, and that the City/Agency will communicate and educate the public about this. He said that staff plans to bring the contract to the Agency for approval on May 3, and then bring the firm on board. The first delivery of materials will be presented some time mid-June. This would give the firm 30-45 days to roll out the beginning of the education and communications plan.

Mayor/Chairman Kennedy opened the floor to public comment. No comments were offered.

Action: *On a motion by Council/Agency Member Tate and seconded by Council/Agency Member Carr, the City Council/Agency Board unanimously (5-0) **Endorsed** the Council's Community & Economic Development Committee's (C&ED) Recommended Approach for Communicating to the Community the Accomplishments and Goals for Downtown.*

FUTURE COUNCIL-INITIATED AGENDA ITEMS

No items were identified.

ADJOURNMENT

There being no further business, Chairman/Mayor Kennedy adjourned the meeting at 9:56 p.m.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, CITY CLERK/AGENCY SECRETARY

**CITY OF MORGAN HILL
JOINT SPECIAL AND REGULAR CITY COUNCIL
AND REGULAR REDEVELOPMENT AGENCY MEETING
MINUTES – MAY 3, 2006**

CALL TO ORDER

Mayor Pro Tempore/Vice-Chair Grzan called the meeting to order at 5:35 p.m.

ROLL CALL ATTENDANCE

Present: Council/Agency Members Carr, Grzan, Sellers, Tate
Late: Mayor/Chair Kennedy arrived at 5:45 p.m.

DECLARATION OF POSTING OF AGENDA

City Clerk/Agency Secretary Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

City Council Action

INTERVIEWS:

**1. INTERVIEWS TO FILL VACANCIES ON THE ARCHITECTURAL REVIEW BOARD,
MOBILE HOME RENT COMMISSION AND SENIOR ADVISORY COMMISSION**

Mayor/Chair Kennedy entered and took his seat on the dais.

The City Council interviewed the following: Senior Advisory Commission applicants: Betty Ancheta, Susan Fent, Betty Gigliotti, Staten Johnston, Jeannette Riley, Gloria Subocz, and William Quenneville. Architectural & Site Review Board: Linda Hinkle, and Jon Maxey. Rocke Garcia did not interview for this Board. Mobile Home Rent Commission: Charles Dillmann and John Liegl. Robert Graham did not interview based on a prior scheduling conflict.

Action: *The City Council identified their candidates of choice for the Mayor's consideration. Mayor to return at a following meeting with recommended appointments to the Architectural & Site Review Board; Mobile Home Rent Commission; and Senior Advisory Commission.*

RECESS

The City Council took a recess at 6:45 p.m.

RECONVENE

Mayor Kennedy reconvened the meeting at 7:05 p.m.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

RECOGNITIONS

Assistant to the City Manager Dile indicated that this past spring, the City was engaged in an unusual and extensive outreach program. The City is trying to get residents and community members together to talk about Morgan Hill's future; including visions for service levels and funding for City services. She indicated that 25 Community Conversations were held and that five community facilitators were involved in these sessions; actively helping the City bring individuals to these sessions. She acknowledged Community Conversation Citizen Facilitators Kathy & Brian Sullivan, Chuck Dillmann, Joe Mueller, and Dan Ehrler; extending appreciation and thanks.

Mayor Kennedy presented Certificates of Recognition to Kathy & Brian Sullivan, Chuck Dillmann, Dan Ehrler and Joe Muller in appreciation of their excellent service to the community at large through their work in the Community Conversation.

PROCLAMATIONS

Mayor Kennedy presented Director of Public Works Ashcraft a proclamation, proclaiming May 21 thru May 27, 2006 as *National Public Works Week*.

Mayor Kennedy presented a proclamation to Karl McCann, Bicycle & Trails Advisory Committee Member, proclaiming May 14 thru May 20 as *Bike to Work Week*.

Mr. McCann indicated that Thursday, May 18 is *Bike to Work Day* and recommended that residents ride their bikes to work that day. He said that there will be an energizer station at the Caltrain station from 6-9:30 a.m.

PRESENTATIONS

Mayor Kennedy presented Mark Hubble, Bicycle and Trails Advisory Committee Member with a *Morgan Hill Cycling and Trails Awareness Award* in recognition of contributions made to the City of Morgan Hill's cycling and trails programs.

Program Administrator Eulo thanked the Earth Day Judges for their assistance in judging the various contest categories: Phil Couchee, Marilyn Dubil, Rosemary Kamei, Ed Tewes, Council Member Mark Grzan and Mayor Kennedy.

Program Administrator Eulo announced the 8th annual Environmental Poster Contest winners: K-3rd grade - Ramina Gupta; 4th-6th grade - Patrick McLaughlin; and 7th-12th grade - Jina Parks.

Program Administrator Eulo announced the Art and Science Fair Winners as follows: K-3rd grade - Avery Sampson; 4th-8th grade - Jed Pettitt; and 9th-12th grade – Mr. Johnston's Science Class from Live

Oak High School: Angelina Rodriguez; Ike Albin, Melissa Ramos, and Brianna Pena (also Best Presentation winners).

Program Administrator Eulo announced the winners in the following categories: *Best Idea*: Keely Griffin and Lindsey van Keulen (students at Sobrato High School); *Best Art Project*: Ms. Southland's sixth grade class; and *Best in Show*: Ms. Levin's Carden Academy eighth grade physics class.

Chamber of Commerce 2006 Environmental Awards

Ted Fox, Chairman of the Board and Dan Erhler, Executive Director, presented the Chamber of Commerce's Environmental Awards. Also, in attendance was Alex Kennett, Chairman of the Environmental Activities Committee.

Sustainable Quality Award Winners: Joe Bella, Hospira, Inc. and Adriadne Scott, Specialized Bicycles.

Excellence Awards: St. Catherine's Parish & School (stewardship to the natural environment and social responsibility); Connie Iobst, Anritsu Company (stewardship to the natural environment); Kim Jackson, Comcast Morgan Hill Call Center (social responsibility); Adelita King, Heritage Bank of Commerce (social responsibility); and Leslie Miles, Weston-Miles Architects, Inc. (stewardship to the natural environment).

Craig O'Donnell, Field Representative for Assemblyman John Laird's office, presented certificates to all Environmental Award recipients.

Julie Osborn, South Valley Disposal and Recycling, presented the 2005 *Recyclers of the Year* awards as follows: Residential: The Morris Family; Business: Judy Dunfield, Post Master, Morgan Hill Post Office; and Unincorporated Area Business: Tracy Devell, San Martin Post Office.

CITY COUNCIL REPORT

Council Member Grzan reported on the Environmental & Utilities Committee. He stated that as a member of this Committee, he had the pleasure of serving as a juror for the Art & Science Fair contest this past week. He stated that recycling is important for the community and instill the idea of recycling in our youth. He indicated that Santa Clara Valley will be implementing a new policy/guideline(s) that will protect development along creeks and streams. He said the new policy/guidelines will be coming before the Council sometime in the future. The proposal would allow the City of Morgan Hill to issue permits for development along creeks regulated by the Santa Clara Valley Water District. This would allow the City of Morgan Hill to become a one step permit in this process if the City adheres to some of the policies or negotiates policies with the Water District. The Committee received a report from PG&E regarding community aggregation. He said the City is looking at a mechanism to become a supplier of electricity for the community. The Committee foresees some substantial savings to the community if the City joins this effort. The Committee also received information that there are billions of dollars available for the City and residents who look at energy saving projects. If residents have an idea that would reduce electricity, in some fashion, PG&E will partner with individuals; resulting in energy savings. He stated that the Committee had an interesting issue come before it regarding water pressure. He said that some areas in the City have high water pressure. An incident occurred earlier this year where a water pipe

broke that caused considerable water main damage to a Morgan Hill resident's water pipe. He commended City staff for an outstanding job in responding to the resident's need. In reviewing this situation, the City identified water pressure issues throughout the community. He stated the Committee will be coming forth with a new policy of disclosure; letting Morgan Hill residents know that the City has methods in place to address high water pressure. He indicated that the Committee will be returning to the Council with a recommendation on partnering with small portions in the community with high water pressure; sharing in the resolution to reduce the number of residents at risk.

Mayor Pro Tempore Grzan reported on the Financial Policy Committee; indicating that this Committee is working diligently toward resolving the City's budget deficit. Last Saturday, the Council had the opportunity to host a capstone event at the Community Center; concluding a phase of the Community Conversation. He said the Council looked at different ways to address this budget structural deficit. He was pleased with staff's responses as well as with the number of individuals in attendance. He was also pleased with the process that took place over the course of the past couple of months where several hundred community members looked at alternatives to resolving the structural budget deficit. He felt the Council came to consensus on a couple of items. He said that he looks forward to bringing all issues together as the Council addresses this problem in the near future.

CITY MANAGER REPORT

City Manager Tewes reported that Bill Newkirk, a valuable employee of the Redevelopment Agency, retired last week. He indicated that Mr. Newkirk was employed by the City for approximately 8-years, and was an unsung employee who had a tremendous impact on the City. He stated that Mr. Newkirk was responsible for most of the affordable housing projects that have been undertaken in the past eight years. He said that hundreds of individuals have Mr. Newkirk to thank for affordable housing opportunities at Murphy Ranch, Jasmine Square, Via Ciolino and the soon to be completed Royal Court project. He indicated that Mr. Newkirk was an excellent employee and a good grant writer that resulted in the City receiving several grants. He stated that Mr. Newkirk played a major role in the City receiving a multi million dollar grant for the reconstruction of Depot Street in downtown. He indicated that Mr. Newkirk was the 2002 Employee of the Year. He wished Mr. Newkirk the best in his retirement.

Mayor Kennedy thanked Mr. Newkirk for his many years of service and contributions to the City of Morgan Hill.

CITY ATTORNEY REPORT

Acting City Attorney Siegel stated that he did not have a report to present this evening.

OTHER REPORTS

PUBLIC COMMENT

Mayor/Chairman Kennedy opened the floor to public comments for items not appearing on this evening's agenda. No comments were offered.

City Council Action

CONSENT CALENDAR:

Council Member Tate requested that item 3 be removed from the Consent Calendar.

Action: *On a motion by Council Member Carr and seconded by Council Member Tate, the City Council unanimously (5-0) **Approved** Consent Calendar Items 2, 4-7 as follows:*

2. **COUNCIL RESOLUTION SUPPORTING GRANT FUNDING FOR UPDATING THE BIKEWAYS MASTER PLAN**
***Action:** 1) **Approved** Resolution No. 6001, Supporting Transportation Development Act (TDA) Article 3 Grant Funding for \$28,000 to Update the 2001 Bikeways Master Plan; and 2) **Appropriated** \$6,000 from the City's Current Year Unappropriated Parks Maintenance Fund Balance (302) to Cover CIP Administration Expenses.*
4. **AMENDMENT TO CONTRACT PROVIDING PLAN CHECKING SERVICES ON AN AS-NEEDED BASIS**
***Action:** 1) **Approved** Amendment to the Contract with Harris & Associates to Increase the Contract Amount by \$40,000; and 2) **Authorized** the City Manager to Execute the Contract Amendment; Subject to Review and Approval by the City Attorney.*
5. **LEGISLATIVE RECOMMENDATIONS FROM UTILITIES AND ENVIRONMENT COMMITTEE**
***Action:** **Directed** Staff to a Draft Letter of Support for the Mayor's Signature on AB 32, AB 2271, and AB 3001.*
6. **SUPPORT OF COUNTY PARKS CHARTER MEASURE**
***Action:** **Adopted** Resolution No. 6002, Supporting the County Parks Charter Amendment Measure.*
7. **BI-ANNUAL VACANCY RATE SURVEY**
***Action:** **Established** the Bi-Annual Vacancy Rate for April 2006 as Recommended by the Planning Commission.*
3. **DEVELOPMENT OF A BMX PARK ON THE CENTENNIAL RECREATION CENTER SITE**

Council Member Tate noted the staff report indicated that Council referred this item to the Youth Advisory Committee on Monday. He inquired as to this Committee's comments as they relate to this item.

Director of Public Works Ashcraft informed the Council that the Youth Advisory Committee was very supportive of the BMX Park project, and would like to help guide the design; including assistance with raising donations to include extra components.

Action: *On a motion by Council Member Tate and seconded by Council Member Carr, the City Council unanimously (5-0): 1) **Received** the Staff Report and Parks and Recreation Commission Recommendation; and 2) **Approved** the Development of a BMX Park to be Located at the Northwest Corner of the Centennial Recreation Center Site.*

Redevelopment Agency Action

CONSENT CALENDAR:

Vice-chairman Grzan requested that item 8 be removed from the Consent Calendar.

Action: *On a motion by Agency Member Carr and seconded by Agency Member Tate, the Agency Board unanimously (5-0) **Approved** Consent Calendar Item 9 as follows:*

9. COMMUNICATIONS FIRM – JDS GROUP

Action: ***Authorized** the Executive Director to Negotiate and Execute a Contract with the JDS Group in an Amount not to exceed \$55,000; Subject to Review and Approval by the Agency Counsel.*

8. CHAMBER OF COMMERCE ECONOMIC DEVELOPMENT MARKETING PLAN FOR FISCAL YEAR 2006-2007

Vice-chairman Grzan requested a staff report and overview of the various plans being presented; including staff conclusions.

Director of Business Assistance & Housing Services Toy indicated that this item is a recommendation to adopt the Community & Economic Development Committee's recommendation to authorize the Executive Director to budget \$125,000 in Fiscal Year 2006-07 in the Business Assistance & Housing Services budget. This funding would fund the Chamber of Commerce's Economic Development Partnership. He said that over the past 10 years, the City has had an agreement with the Morgan Hill Chamber of Commerce to provide supplemental economic development services. He stated that these services include implementing a business retention and attraction program; implementing a marketing and advertising strategy campaign; maintaining collateral materials; developing a website; working with their tourism advisory committee; and evaluating regional strategies for regional economic development and tourism efforts in South County. He indicated that the Chamber of Commerce has developed three proposals for Fiscal Year 2006-07. Two of the proposals envision the Chamber hiring their own Economic Development professional to aggressively market the community. He stated that these priorities are different from what is in the City's economic development strategy at this time. Given the current economic times, the Chamber of Commerce is recommending that they are allowed to pursue their proposal C. With proposal C, the Chamber would be acting as the economic professional, to a lesser extent, with the Chamber of Commerce staff providing this activity. Under proposal C, it is being recommended that \$36,000 of the \$125,000 be allocated toward the regional tourism efforts. This money would go along with the Gilroy's Visitor's Bureau in collaboration of their efforts to advertise and market to make the monies go a little further. He informed the Council that staff has reviewed this item

with the Community & Economic Development Committee and that the Committee believes that proposal C is a good approach.

Member Sellers said that the Chamber provided the Committee with a variety of proposals and that the Committee weighed the various elements within the economic development plan. Also, to determine which alternative would be the most cost affective. After reviewing the proposals, the Committee determined that the third option provided the most flexibility and gives the Chamber of Commerce the opportunity to continue its work in an efficient way, while reducing costs. Therefore, it is the Committee's belief that proposal C made the most sense of the three alternatives presented.

Vice-chairman Grzan inquired whether there was any potential for analyzing the economic return from this investment.

Agency Member Carr said that when the Committee met with the Chamber of Commerce staff/Board, an economic return on investment was discussed. He said that it would be the Committee's expectation for City staff to work with the Chamber of Commerce staff on a matrix; identifying how this evaluation would be conducted. He noted the Council has struggled with how you truly measure the success of the partnership, and what would be a fair matrix that could show the City's return on investment. He said that it has been difficult to find an instrument to measure return on investment. As the City focuses on this effort, there may be a way to refine the measurement better.

Action: *On a motion by Agency Member Tate and seconded by Agency Member Sellers, the Agency Board, unanimously (5-0) **Adopted** the Community and Economic Development Committee's Recommendation to Authorize the Executive Director to allocate \$125,000 in the Business Assistance and Housing Services Fiscal Year 2006-2007 Budget for the Morgan Hill Chamber of Commerce's Economic Development Partnership Program.*

City Council and Redevelopment Agency Action

CONSENT CALENDAR:

Mayor/Chairman Kennedy removed item 10 from the Consent Calendar.

10. JOINT SPECIAL AND REGULAR CITY COUNCIL AND REGULAR REDEVELOPMENT AGENCY MEETING MINUTES FOR APRIL 19, 2006

Mayor/Chairman Kennedy offered a correction to the minutes, page 26, second paragraph; replace "blue herring" with "blue heron."

Action: *On a motion Mayor/Chairman Kennedy and seconded by Council/Agency Member Sellers, the City Council/Agency Board unanimously (5-0) **Approved** the minutes as amended.*

City Council Action

PUBLIC HEARINGS:

11. **GENERAL PLAN AMENDMENT, GPA-06-01/ REZONING APPLICATION, ZA-06-02:**
LAUREL-CITY OF MORGAN HILL – *Resolution No. 6003 and Ordinance No. 1779, New Series*

Senior Planner Eric Marlatt presented the staff report to change the general plan and zoning designation from multi family residential low to commercial for a vacant 2.5 acre parcel located north of the intersection of Laurel and Walnut Grove Drive intersection. He indicated that the application was filed to facilitate the construction of a new Trader Joe's on this site. He stated that an expanded initial study was prepared for the general plan and rezoning applications, and for the project which includes a 13,500 square foot store. He indicated that the initial study concludes that all impacts can be mitigated, therefore, a mitigated negative declaration is the appropriate action under CEQA this evening. He informed the Council that the Planning Commission considered these applications at their April 25 meeting and voted 5-1 to recommend Council approval of the application. He clarified that the no vote was not a vote against, but rather the language in the motion that would have required the negative declaration return to the Planning Commission in the event comments were received between their hearing date and the end of the comment period, Monday May 1. He informed the Council that staff did not receive any comments on the negative declaration. Therefore, there is no change to the overall processing of this application. He stated that the Planning Commission minutes added mitigations to the negative declaration as follows: 1) the deliveries are to occur between 5 a.m. and 9 p.m.; 2) additional noise attenuation in the loading dock area, if needed; 3) ARB to look closely at providing additional landscaping in the northern buffer area; and 4) consider an increase in the height of the required sound wall from 6-8 feet to help mitigate impacts that might be associated with light and noise. He informed the Council that it is Trader Joe's goal to be completed by Thanksgiving.

Mayor Kennedy opened the public hearing.

Frank DeRose, one of the managers for the DeRose Development LLF that own APN 726-01-008, immediately east of the parcel on which Trader Joes is to be built, stated that he is in support of the Trader Joe's project. As the rear of Trader Joe's will face their property, he wants to make sure that the loading dock, trash containers, transformers, and any other rear service facilities are adequately screened, and that the space in the rear of Trader Joe's is kept clean from trash and clutter. He has reviewed the site plan and the landscape plans for this project. He inquired as to the precise specifications of the height and capacity of the screen wall. Once provided, he may have additional feedback. It was his belief that they can agree to some combination of a wall and a row of conifers that will provide adequate screening. He informed the Council that sometime in the future, the De Rose Development LLC may want to develop its parcel. They may design a driveway in order to have direct access from Laurel Lane. He indicated that a driveway would be proposed adjacent to the driveway that provides access to Trader Joe's loading dock. He wants to make sure the City has no objections to, or has ordinances against two driveways being close together. He requested a positive statement regarding this matter. He said that on the assumption that adequate screening of the loading dock will be provided, the service areas are to be adequately maintained, and the City will allow the two driveways next to each other, would endorse the Trader Joe's project and encouraged Council approval of the project.

Mary Anne Kendall stated her support of Trader Joe's. She said that it was her understanding from one of the prior meetings, that Trader Joe's was going to consider evening deliveries. She requested clarification as to the loading time restrictions.

Robert Day, contractor/project manager for Trader Joe's, informed the Council that also in attendance was Gary Nye, Manager for Trader Joe's. He stated that a subterranean loading dock is being proposed that will be four feet below the ground level of the store. The sound wall is proposed to be 10-feet at the loading dock level with a cover over it. This would result in being down 4 feet at the truck loading area. He did not believe there would be any noise impacts to the property located to the right of the parcel, or to individuals in the residential area. He said that it is proposed to install an 8-foot concrete sound wall that is consistent with the siding of the building. He will prepare a line of sight drawing; indicating that the truck lights will be at approximately 3-feet. Therefore, lights will be buffered by the trees to be installed. He indicated that it is proposed to have Trader Joe's built by November 15, 2006

Council Member Sellers noted the Planning Commission indicated a desire to have a 5 a.m. – 9 p.m. loading. He inquired whether there were any issues with this restriction.

Mr. Day clarified that trucks would come no earlier than 5 a.m. and would come in at 9 p.m.; being unladed by 10 p.m.

Mr. DeRose requested a statement from the City that in the future, should the DeRose Development decide to develop the parcel, they be allowed to install a driveway with the same configuration as Laurel Lane. He inquired whether there were any City ordinances that would prevent the proposed driveway from being constructed close to the Trader Joe's driveway.

No further comments being offered, the public hearing was closed.

Senior Planner Marlatt said that there are no ordinances in place that prohibit driveways being in proximity to each other. However, staff would request that a traffic engineer review the driveway.

City Manager Tewes indicated that the mitigated negative declaration includes conditions relating to potential noise and includes the requirement that deliveries not occur any earlier than 5 a.m. or later than 9 p.m.

Senior Planner Marlatt informed the Council that as part of the initial study process, the City had an acoustical consultant look at noise from the loading activities as well as from trucks exiting the property. He stated that there were no concerns expressed by the acoustical engineer. It was their opinion that the noise from these activities would not cause the residents to experience noise beyond general plan thresholds. He clarified that the Planning Commission added assurance mitigation measures and that they went above and beyond what the acoustical consultant requested.

Mayor Kennedy said that it is not known what will be developed on the De Rose property. However, it would be appropriate to connect parking lots and shared driveways. He inquired whether the potential exists to connect parking lots and to share a driveway.

Senior Planner Merlot said that there is a potential to share driveways.

Mr. DeRose stated that he has no objections to engaging in the discussion of a shared parking lot/driveway

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Adopted** the Mitigated Negative Declaration.*

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Adopted** Resolution No. 6003, Approving the General Plan Amendment.*

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Waived** the Reading in Full of Ordinance No. 1779, New Series.*

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council **Introduced** Ordinance No. 1779, New Series, by Title Only, as follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL, AMENDING THE ZONING DESIGNATION FROM R-2 3,500 (MEDIUM DENSITY RESIDENTIAL) TO CG (GENERAL COMMERCIAL) ON A 2.66-ACRE PARCEL (APN 726-43-006) ADJACENT TO AND NORTHERLY OF THE LAUREL ROAD/WALNUT GROVE DRIVE INTERSECTION (ZONING AMENDMENT APPLICATION NO. ZA-06-02: LAUREL – CITY OF MORGAN HILL), by the following roll call vote: AYES: Carr, Grzan, Kennedy, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: None.***

Mayor Kennedy thanked the public for their support of Trader Joe's; specifically, in the efforts with the post cards and all of the activities of the Chamber of Commerce to encourage Trader Joe's to come to Morgan Hill. He stated that it was clear that Trader Joe's was the number 1 project that Morgan Hill residents wanted and that it was his hope the City would do everything it can to fulfill the goal of having the store up and running by Thanksgiving.

City Council Action

OTHER BUSINESS:

12. CENTENNIAL RECREATION CENTER YMCA OPERATING AGREEMENT

City Manager Tewes introduced newly hired Director of Recreation & Community Services Steve Rymer who would be presenting the report on a request the Council authorize staff to execute an agreement with the YMCA for the health & fitness and senior programs at the new Centennial Recreation Center (CRC). He thanked Rod Cooper, the outgoing manager of Recreation & Community Services, for his help on this project.

Director of Recreation and Community Services Rymer informed the Council that in attendance this evening was Pamela Van Wiegand. He stated that he and Ms. Van Wiegand would jointly be presenting information, via a power point presentation, on the proposed contract to jointly operate the CRC by the City and the YMCA of Santa Clara Valley. He indicated the City and YMCA jointly moved forward with a market study to discuss some of the City's and community wishes for what the center could bring. Reviewed were the financial assumptions that the contract was based upon. He indicated that the financial assumptions looked at Gilroy and San Martin residents as a market the City would be looking toward attracting to ensure the success of the center.

Mr. Rymer addressed the six objectives established: 1) having a 5-year term, including the review of evaluation criteria that would be established to ensure the center is moving in the right direction and is successful every year; 2) City authority; 3) review of how risk sharing would occur; 4) a 3-year cost recovery; 5) YMCA scholarship support; and 6) senior programs.

Pam Van Wiegand informed the Council that Dave Thornton, YMCA CEO was at a board meeting out of town this evening and that he expresses his regret that he could not be in attendance this evening. She addressed the following: 1) how they approached the partnership contract; 2) how the Council's objectives would be realized; 3) membership philosophy and pricing; 4) how the pieces fit and benefit the residents; and 5) what are the next steps. She stated that the YMCA is approaching the partnership from a position of stewardship in order to fulfill the City's trust in trying to reach the City's goal. It is proposed by the YMCA and City staff that the CRC will be cost effective and that Morgan Hill residents will have a lot to access. She clarified that this will be one team, even though paychecks are coming from different places. She said that this team will be under the leadership of the CRC supervisor. She stated that there is a balance in the YMCA model and the traditional recreational programming in various parts of the building. They are aware of this balance as they moved forward in the preparation of the contract.

Mr. Rymer said the contract includes an initial 5-year agreement. He said that two groups will be served outside the membership model: seniors and youth/teens (non fee based use). He indicated that safety and risk management will be shared; and that the center will have common policies in place. It has been agreed that neither party would exercise a termination clause in the initial 3-years as this time period is critical to the operation. It is in the third year where you start looking at cost recovery goals. The City and YMCA is aiming for a true partnership for the first 3-years, continuing the partnership many years thereafter. He clarified that both parties will be responsible for the CRC and its operation. However, it will be the City who ultimately hires the CRC supervisor and will have the responsibility of leading the team put into place. The CRC supervisor will work jointly with the City and YMCA to make sure that what is taking place is consistent, there is cooperation, and that there is good communication. Should an issue arise, he and Ms. Van Wiegand will be responsible for making sure they talk through the issues and are proactive in the approaches to managing the facility. They will make sure that sound decisions are made to resolve issues that may arise. Should a problem arise, the City will have the authority, after consulting with the president of the YMCA, to make final operational decisions. He said that there are safe guards for both the YMCA for the City, should something arise, with both agencies having the right to take the appropriate actions, as deemed necessary.

Ms. Van Wiegand noted the City will soon be hiring a supervisor for this facility and that the YMCA is starting to look for an associate supervisor who will be in charge of all fitness and programming. A

structure has been built into the contract where each organization has input in the hiring of key staff. She indicated that both organizations worked together to build the assumptions and the budget being proposed. Once set, the YMCA will be 100% accountable for delivering revenue and living within the expense budget. She stated that the YMCA will be generating fees and memberships in a wide variety of ways. The YMCA has started to gather information by surveying by individuals in the community who may be interested in usage/membership information about the facility. She informed the Council that approximately 15% of the individuals who have expressed an interest in the CRC who are not Morgan Hill residents, and that 80% who responded to the survey are from Morgan Hill. She noted that this percentage break down is how the budget was built. She stated that the YMCA is interested in being aggressive about marketing the facility so that individuals are ready to use the facility once it opens.

Ms. Van Wiegand said that as they planned the risk sharing model, the YMCA tried to reduce risks to the City in other ways (e.g., try to match pricing philosophies, ensure the CRC is not competing with the Community and Cultural Center, and programming will not undermine other facilities).

Mr. Rymer addressed the reconciliation of the partnership revenues and expenses. Should the budget be met, everything would remain the same. Should there be an operating gain in place, 60% of the gain would go to the City and 40% would go to the YMCA. However, should there be an operating loss in the membership side, 60% of the loss would be the responsibility of the City and 40% of the responsibility would go to the YMCA. He stated that the partnership portion of the budget could realize an operating gain while the overall center does not. He clarified that the aquatics portion is 100% the City's responsibility and that all revenue goes to the City. It is the ultimate goal that the City would see an operating gain every year from the aquatics center. He addressed the YMCA's health and fitness area. He said that this is where the programming of the 60%/40% equation comes into place. He said that if all program items go well and there is cost containment, by the end of three years, full cost recovery would be seen. He informed the Council that the long term success will be based on the ability to attract and retain members. Staff realizes that this is an ambitious goal, noting that it has been discussed in the past that very few recreational centers actually attain full cost recover. However, it is staff's belief that with management, creative pricing, programming and leadership; full cost recovery will be a possibility within the 3 year period (end of Fiscal Year-2008-09). He addressed the initial membership processing fee that would allow access to other YMCA facilities. If individuals want to utilize the other 5 YMCA facilities, 50% of this fee would go to the YMCA and the remaining 50% would go to the partnership. If individuals do not want to utilize other YMCA facilities, 100% of the processing fee would go toward the partnership.

Van Wiegand indicated that a membership program will be implemented and that day passes will be implemented. The day pass will give individuals access to the fitness facility, lap swim, use of the gymnasium or the ability to take a class. The budget was built aggressively and conservatively. It is assumed that when the facility is opened, there will be 600 members on day one. It is the hope that by the end of June, there will be over 2,100 memberships and 10,000 day passes. She informed the Council that the seniors will be given the special hourly rate that allows use from 10 a.m. to 3 p.m. If these hours do not work, seniors can purchase an adult pass. She indicated that if a senior could not afford this pass, they can obtain a scholarship for part of the pass.

Mr. Rymer informed the Council that a policy is proposed that would authorize the City Manager to adjust pricing, as needed, in order to allow flexibility in operating the center. He addressed the operating budget with the goal of achieving full cost recovery by Fiscal Year 2008-09.

Ms. Van Wiegand said that scholarships are built into the plan. She stated that the YMCA will retain the nutrition contract from the County. She noted that the nutrition contract does not pay for the cost of delivering the nutrition program. Therefore, the Mt. Madonna YMCA is making a commitment to raise the funds necessary to ensure the nutrition program is delivered. Should the County make a dramatic change on how they fund the nutrition program in the future; the YMCA will need to discuss this with the City. The YMCA is making a commitment to offer other additional YMCA programs and be willing to scholarship young people in the teen center. The YMCA will continue to operate the entire senior program, and the City would continue to provide YCMCA with a stipend in order to continue the core programs. She said that on or near November 1, the entire senior program will move from the Friendly Inn into this facility and offer 100% of what is currently being offered. Over the course of the year, the senior program will expand into a wider range of programming as identified by the users of the facility.

Council Member Sellers indicated that at the Senior Advisory Commission interviews held this evening, two items were raised. A suggestion was made that the Commission hold their meetings at the CRC. He inquired whether the YMCA thought about the use of the center for Commission meetings. It was mentioned that there are significantly active seniors who might be inclined to volunteer and participate; leading to a more rapid program expansion.

Ms. Van Wiegand stated that the partnership is conscientious about allowing the Senior Advisory Commission to meet at the Center and to recognize that seniors need to get involved in programming. She addressed the overall benefits, programming, and the vision of what will take place in the CRC.

Mr. Rymer addressed the next steps. He said that what is envisioned, in the health and wellness side, is looking at the framework of policies and procedures that the YMCA already has in place and to make sure they can be applied to the things the City can do as a municipality. These policies will be brought before the Parks & Recreation Commission and the Council. Equipment and signs will need to be purchased and put into place. He stated that a subgroup is working on a marketing plan in order to make the center successful as it moves forward. Staff will need to be hired, including key lead positions. He said that there are three important groups that will help guide some of the programming at the CRC: Parks & Recreation Commission, Senior Advisory Commission, and the Youth Advisory Committee. Another task that needs to take place is planning for a November 2006 grand opening event.

Mr. Rymer acknowledged the individuals who have been involved in the CRC from the YMCA and the City. He thanked Rod Cooper and Pam Van Wiegand who worked on this partnership and the contract for the past 8 months.

Council Member Tate felt that a thorough presentation has been presented and that he was pleased that it was further along than where the partnership would be at this time. He felt that a great structure has been put forth on the CRC. He stated his appreciation for the great job put forth by the entire team.

In response to Mayor Pro Tempore Grzan's question, Mr. Rymer stated that the term "health fitness" would include all programs, including the youth and adult team sports.

City Manager Tewes said that the gymnasium was an area the Council felt important the City maintain responsibility for.

Ms. Van Wiegand clarified that the agreement pertains to the health and fitness portion of the CRC; including the senior programming. She said that the partnership tried to avoid competing against other programming. She noted the YMCA already has a good-sized sports program. She clarified that the YMCA would be running its own youth sports program and would be renting the gymnasium. The City will also be running its youth sports activities.

Mayor Pro Tempore Grzan said that he sees duplication in efforts and competing interests when both the YMCA and the City would be offering youth sports activities.

Mr. Rymer said that what is being envisioned is that quarterly meetings will be held between the programmers in order to reduce duplicating programs. Staff acknowledges there are some programs the YMCA has run for a number of years that they may want to continue. He stated that the City would not duplicate these programs or run a competing league. The City would look at running programs in areas that staff has expertise. He clarified that both entities would meet as a team and review the types of programs to be offered. He said that it has not been decided who will provide the various programs to be offered.

Council Member Carr noted that this partnership is about the operations of the facilities and not athletic leagues.

Council Member Sellers did not believe it made sense to dismantle the YMCA's successful youth league programs and create it into a City model.

City Manager Tewes noted the YMCA offers a youth basketball program at a particular season of the year, and that the City would not be competing with this. If it turns out that there is a need for a different kind of youth basketball program that meets a different need, or a different time of the year, both groups would work together to figure out the best way to implement the program. He noted that the YMCA and the City are at the early stages of developing programs.

Former Interim Recreation and Community Services Manager Cooper said that overall, the driver for what the YMCA will be receiving revenue, for health & fitness programming. What takes place in the gymnasium is not included with the YMCA health and fitness. He said that the partnership will need to coordinate what programs will be provided in the gymnasium separate from the health and fitness programming. He noted the YMCA will be paying for the use of the gymnasium. Therefore, the City will be receiving revenue for the gymnasium's use. He stated that it has not been determined who will be offering the various programs. It is the intent of the partnership that there are no duplications of major programs as established by the YMCA, but that the City will find program niches it can provide.

Mayor Kennedy said that it is true that a lot of decisions have not been made, and that there are a lot of programming items that need to be worked out. He noted that what is being discussed would be the framework for the agreement.

Council Member Carr noted that this is a contract to talk about the operations of the facility that is being built. He felt the contract will provide the foundation for the partnership that will allow both groups to work from this partnership model in order to determine the needs of the community, and how these needs are to be met. If an athletic league needed, discussions will need to take place as to who would be offering the league. He said that the contract does not identify who will provide the various programming activities.

Mayor Pro Tempore Grzan stated that he has concerns about supporting a contract if it is not known who will be providing the various programming activities. He felt it would be important to have an understanding of what types of programs are to be offered and by whom. He indicated that adult and teen sports happen to be the most lucrative areas, in terms of cost recovery. He expressed concern the City may be losing a potential revenue source by the type of programming it offers or does not offer.

Council Member Carr indicated that this is not a contract to merge the City's recreation department with the YMCA; it is about the operation of a center.

City Manager Tewes agreed that the areas of greatest opportunities for revenue generation for the City are in organized youth and adult sports. He said that this contract provides that these decisions will be made by the City, not by the YMCA. He said that this contract does not cede a responsibility or authority for revenue raising opportunities that come from organized sports activities in the gymnasium. The contract makes sure that these revenues stay with the City.

Mayor Pro Tempore Grzan said he hears it being stated that this is a partnership, and questioned whether these revenues would be shared with the YMCA.

Council Member Sellers felt the contract was a win win situation as the City would determine the programs. At this point, the City has an operator who knows what they are doing, and have been doing a great job in operating these programs for years. He felt the City could receive revenue by renting facilities to the YMCA. He said there is a fine line in the discussions this evening between determining the details of the contract and getting into the programming details. He felt it was beyond the Council's purview to get into programming details. He recommended the Council stick with the details of the contract.

Mayor Pro Tempore Grzan said that he would like to have as much information and comfort as possible, and to remove as much of the ambiguity as possible before taking a vote. He noted that this is a long term agreement for a community facility.

Mr. Rymer said that from an operational standpoint, the City Manager would retain the authority to make decisions when there is a disagreement. He stated that it would be a goal that the partnership would be working as a team. It would be up to management to determine whether there are enough resources to undertake certain programming, or whether it makes sense to partner in a contract with others to run various programs.

Mayor Kennedy inquired whether the pricing structure would be included in the contract.

Mr. Rymer clarified that the pricing structure would be included in the Center's operating plan. He said that the fees were taken from the market study prepared for the center.

Mayor Pro Tempore Grzan inquired whether the YMCA would pay toward any of the utility costs for heating, air conditioning, electrical, etc.

Mr. Rymer responded that the YMCA would not pay toward utility costs as it is a City responsibility under City control.

Ms. Van Wiegand clarified that there is an assumption that the YMCA will produce a surplus and that this surplus would pay for utilities, repair and within the replacement fund, a supervisor, and teen director. She said that there will be memberships and program revenue. She stated that there is a part-time person that will be involved in city sports included in the budget. She noted the YMCA does not currently offer adult sports, but does provide youth sports. She said that the YMCA may hire a staff person to oversee youth sports, but not within this contract. She indicated that memberships will generate over \$2 million in revenue, over time. The sports activities will bring in a small amount compared to the membership revenues. She clarified that the YMCA has no plans to offer adult sports leagues. She stated that the YMCA currently has a strong youth sports program, and that they would like to continue to offer these programs; adding a few items. She said the City may add a variety of youth sports. She clarified that the YMCA will be generating 100% of the revenues that will pay most of the utility bills. In return, the City will pay the YMCA the cost of delivering their programs.

Mayor Pro Tempore Grzan noted that it has been indicated that the CRC is projected to operate at a loss the first three years of operation. If there is a \$300,000 budget deficit projected in the first year, will the YMCA share in this deficit?

City Manager Tewes responded that the YMCA would not be responsible for the deficit, but would be responsible for meeting the budget target identified. It will be up to the Council, the City Manager and the team putting the center together to come up with a total budget for the CRC that is acceptable, and represents the level of service the Council expects toward cost recovery in the third year. He clarified that the YMCA will be responsible for meeting the bottom line of the revenue projection.

Council Member Tate said that when the Council took a vote to move forward with the indoor recreation center, he voted against the motion because he did not believe it to be the right thing to do. However, the Council voted to proceed with the construction of the indoor recreation center. From that time forward, he has made it his responsibility to make sure decisions made for the CRC are made in the most responsible and fiscally prudent manner. He was convinced that the YMCA partnership approach to running the center is the best way for the City to proceed and be fiscally sound; being able to break even at the end of the third year. He worked on the partnership contract as a member of the Public Safety & Community Services Committee, and felt the contract went further than where he thought the City-YMCA would be in terms of including specifics in the contract. He noted the contract does not include programming specifics, or the specific operational details. However, the contract is a framework for the partnership. Therefore, he supports moving forward with approving the contract this evening.

Mayor Pro Tempore Grzan noted that it was indicated that there would be a draw from Morgan Hill, San Martin and Gilroy. He inquired whether there is an anticipating the City would draw further than these areas, drawing from San Jose and other areas.

Mr. Rymer indicated that the market study stated the draw would be from Morgan Hill, San Martin and Gilroy residents. The partnership is assuming there may be some South San Jose residents that will utilize the facility. He clarified that the partnership has not laid out the exact market area, but that these are the three areas to be targeted. He said the City needs to be sensitive to the fact that the YMCA is marketing their other facilities, and that this facility will be marketed as part of their overall marketing strategy for YMCA memberships. Indirectly, the facility will be exposed to individuals throughout the Santa Clara Valley area.

Ms. Van Wiegand said that typically, individuals will not drive more than 15 minutes to patronize a recreational work out facility. She stated that it does not make sense to market the facility beyond the 15 minute drive time. However, it makes sense to market to residents of Gilroy as they may be driving by Morgan Hill. She clarified that there is no intent to market anyone beyond the 15 minute drive.

Mayor Pro Tempore Grzan noted that the initial marketing study prepared for the center indicated the City would need to draw from a 25-mile radius in order to be able to make the facility a success. According to what is being stated this evening, it is proposed to market to Morgan Hill, San Martin and Gilroy residents.

Council Member Carr noted the information presented this evening refers to a market study previously funded by the City. He stated that the market study looked at Morgan Hill, San Martin and Gilroy.

Mayor Pro Tempore Grzan expressed concern the City of Gilroy will fund and build its own recreational facility(ies). If the City is to rely on a significant portion of the Gilroy population utilizing the City's facility, he suspects that Gilroy residents will participate in their own city-programs. In the long term projection, once the City of Gilroy builds their own indoor recreation center and gymnasiums in partnership with their schools, he sees a potential of a marketing impact to the City's facility; significantly impacting the revenue projections. He inquired whether there were any other YMCA facilities of the same type of framework; a partnership with another municipality.

Ms. Van Wiegand stated that there are many YMCAs across the country that have partnered with cities in a variety of ways. She said that it is more common for a city to construct a building and for the YMCA to run the facility, versus the partnership being considered this evening. She indicated that the other 5 facilities in the Santa Clara Valley are not in partnership with other municipalities. She clarified that the YMCA owns the 5 other facilities.

Mayor Kennedy referred to the concept of co employership. He inquired whether there were any issues associated with an employee of the YMCA or the employee with the City who may want the other agency's benefits.

Human Resources Director Fischer said that employees will be YMCA and City employees as far as their pay checks, workers compensation, and the benefit package to be received. The City will have very few regularly benefited positions at the beginning. She noted the City's current recreational facilities are

run by temporary and seasonal employees with very few benefited positions. She acknowledged that YMCA also has temporary employees. She indicated that the benefit packets are somewhat different between the two groups. As far as reporting relationships and benefits go, it is not felt that this would be a problem. With respect to day to day direction, it is to be understood that all employees will be expected to make the center successful.

Mayor Kennedy opened the floor to public comment.

Chuck Dillmann noted the YMCA has been in this business for a long time. As an organization, they have the capability to do the best job in running the facility. He recommended the City look at a model that gives the responsibility, to the maximum extent possible, to the YMCA. It was not clear to him the City should be in the business of running recreational programs when they have a subcontractor that can do so. He felt the City would save money and a lot of aggravation in the long run.

No further comments were offered.

Council Member Carr said that staff presented an excellent report as it answered a lot of his questions. He noted that the presentation started with discussions about the spirit of the partnership and stewardship. This leads him to believe that he can have faith in this partnership. The partnership will do the right thing and be looking for the right/just causes the Council requests. He thanked City staff: Steve Rymer, Rod Cooper, Ed Tewes, Melissa Dile and Mary Kay Fisher; and YMCA staff: Pam Van Wiegand, Debbie Cupps, Dave Thornton and members of the Mt. Madonna Board who had the faith and advocacy to move forward with this partnership. He thanked Council Member Tate, his colleague on the Public Safety & Community Services Committee, for asking the tough questions. Council Member Tate helped get the Committee to a place where it could identify the goals that helped staff move forward. He understands that there are still several questions that need to be answered, but felt that this is a great framework and a contract the Council can move forward with. He felt the contract provides the City with the first and best opportunity to look at the overall needs of the community at a time the City is looking at a difficult budget situation. He said that the City is looking at this partnership to fill as many of the holes as possible. He was confident the City would be able to meet the needs of the community in the way the contract is drafted.

Mayor Pro Tempore Grzan addressed philosophy, in terms of the scope of recreational programs. He quoted from the memo prepared by Mr. Rymer, page 148; paragraph 3, states that the goal of the partnership is to have cost recovery in place. He notes that Mr. Rymer states this is an ambitious goal in recognition of the fact that a majority of public recreation facilities do not recover all of their costs. He felt that a policy decision has been made such that in order for the City to attract all residents of Morgan Hill, the Council has agreed to acknowledge that the facility will not achieve full cost recovery; subsidizing the CRC from other resources. This makes the programs affordable. He was not stating the YMCA could not do their job, nor was he stating that the City was able to do an equally good job. He felt the policy and the philosophy that making the City's facilities 100% cost recovery was an unrealistic and ambitious goal. When it comes to the use of public dollars, he did not want to state that he was ambitious with the tax payers' dollars. He would like to state he was conservative and confident that the decisions to be made would achieve the financial goals the Council established. He still sees cost recovery risks as well as risks in what the community is willing to afford and pay. He stated that he was pleased that scholarships would be made available.

Mayor Pro Tempore Grzan stated that he would be looking for a more traditional public facility; making programs and services affordable. He felt that this is done by having other revenues come in to support these programs and activities. He said that he would like to see an economic plan in place that would support facilities, programs and services in Morgan Hill. He noted the Council is looking at every possible revenue resource it can in order to cover its deficit. He does not see the facility doing as well as is being projected based upon what he feels would be changes in the recreational market. He stated that the City of Gilroy is capable of providing facilities as they have a strong tax base in this regard. He felt this would place the City at risk. He was leery about moving forward with this program based upon some of the philosophical and policy decisions that will be made.

Mayor Pro Tempore Grzan said that he has heard from the community that they have problems with the term “membership” based on the fact that they paid for the facility with Redevelopment dollars. Citizens believe they have invested in this facility and are members based on being a part of the community. Some citizens question why they have to be paying members of a facility that they have already paid into. He felt this was a hurdle the City will have to overcome sometime in the future. He said that he was unsure of some of the programming concepts. He would have liked to have seen a preliminary model of what would have gone into the facility; information on the programs to be provided at the facility, and who would be the provider.

Mayor Pro Tempore Grzan indicated that no matter the outcome of the meeting this evening, he would be joining the community at the opening of the facility and be proud that it is here. He will be supporting the community and will work hard to support the facility as it overcomes the challenges contained in the staff report as well as the challenges the City will face as it deals with the budget deficit, perchlorate, open space, development, etc. He stated that he has no personal interests in any of the decisions to be made this evening as his personal interests are for this community alone.

Council Member Sellers said that the City is putting this unique partnership together because the City has had a unique history. He said that it is unique to have the City’s recreational department disband and have the YMCA step up and take over the recreational programs for many years. It was also unique for the City to turn around and be able to build a beautiful new facility and having an operator of high esteem in the community. He agreed this was a unique partnership and that it was a unique set of circumstances. He applauded everyone involved for having undertaken this effort and putting it together. He stated that the presentation received this evening is proof that there was an extensive amount of work put into the process. He said that the questions raised were answered. He was impressed with the staff on board and their capability in answering the remaining questions. He felt that Mr. Cooper has done an outstanding job for the City of Morgan Hill and came to the forefront of putting this partnership together. He pointed out that only 15% of the users are projected to come from outside of the community. Projecting this percentage, you would realize that there would only be a slight fraction of individuals (less than 10%) of Gilroy citizens utilizing the facility. If the percentage is greater, there would be issues. He said that this relatively small number will help the City get over the hurdle. He said that in his tenure on the Council, he has often made decisions that went against programs and individuals, and that other Council members have done the same. He felt the Council has been held above reproach on this issue. It was his belief that everyone on the Council is dealing with this issue purely based on what is best for the community, and that it needs to be made clear that this is the case.

Action: *On a motion by Council Member Sellers and seconded by Council Member Tate, the City Council, on a 4-0-1 vote with Mayor Pro Tempore Grzan abstaining, **Authorized** the City Manager to Execute a Contract with the YMCA of Santa Clara Valley for the Operation of the Centennial Recreation Center's Health/Fitness and Senior Programs.*

FUTURE COUNCIL-INITIATED AGENDA ITEMS

No items were identified.

ADJOURNMENT

There being no further business, Mayor/Chairman Kennedy adjourned the meeting at 10:00 p.m.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, CITY CLERK/AGENCY SECRETARY



CITY COUNCIL STAFF REPORT

MEETING DATE: May 24, 2006

Agenda Item # 18

Prepared By:

**Community
Development
Director**

Submitted By:

City Manager

ISLANDS ANNEXATION PROJECT: ADOPTION OF PARCEL PREZONINGS AND APPROVAL OF ANNEXATIONS

ISLAND #1: ANX-05-01; ZA-05-17 *City of Morgan Hill - Tilton & Hale*
ISLAND #2: ANX-05-02; ZA-05-18 *City of Morgan Hill -East of Hale*
ISLAND #3: ANX-05-03; ZA-05-19 *City of Morgan Hill - Teresa & Sabini*
ISLAND #5: ANX-05-05; ZA-05-21 *City of Morgan Hill - Cochrane & Mission View*
ISLAND #6: ANX-05-06; ZA-05-22 *City of Morgan Hill - Cochrane & Peet*
ISLAND #7: ANX-05-07 *City of Morgan Hill - Diana & Hill (El Dorado III)*
ISLAND #8: ANX-05-08; ZA-05-32 *City of Morgan Hill - US Hwy 101 & Condit*
ISLAND #9: ANX-05-09 *City of Morgan Hill - E. Dunne-Wong*
ISLAND #10: ANX-05-10 *City of Morgan Hill - Murphy*
ISLAND #11: ANX-05-11; ZA-05-33 *City of Morgan Hill - Condit & Murphy*
ISLAND #12: ANX-05-12 *City of Morgan Hill - Dewitt*
ISLAND #13: ANX-05-13; ZA-05-23 *City of Morgan Hill - Tennant & Railroad*
ISLAND #14: ANX-05-14 *City of Morgan Hill - Monterey*
ISLAND #16: ANX-05-16 *City of Morgan Hill - Diana & Jasmine*
ISLAND #17: ANX-05-17; ZA-05-35 *City of Morgan Hill - W. Edmundson & Piazza*

RECOMMENDED ACTION(S):

SPECIFIC RECOMMENDED ACTIONS FOR EACH ISLAND ARE LISTED ON CITY COUNCIL AGENDA AND ON EACH ISLAND STAFF REPORT, WHICH GENERALLY CONSIST OF:

1. Open/Close Public Hearing for each Island
2. Waive Readings and Adopt Prezoning/Rezoning Ordinances for Islands 1, 2, 3, 5, 6, 8, 11, 13, 17
3. Adopt Resolutions to approve Island Annexations pursuant to Government Code Section 56375.3 for Islands 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 16, 17

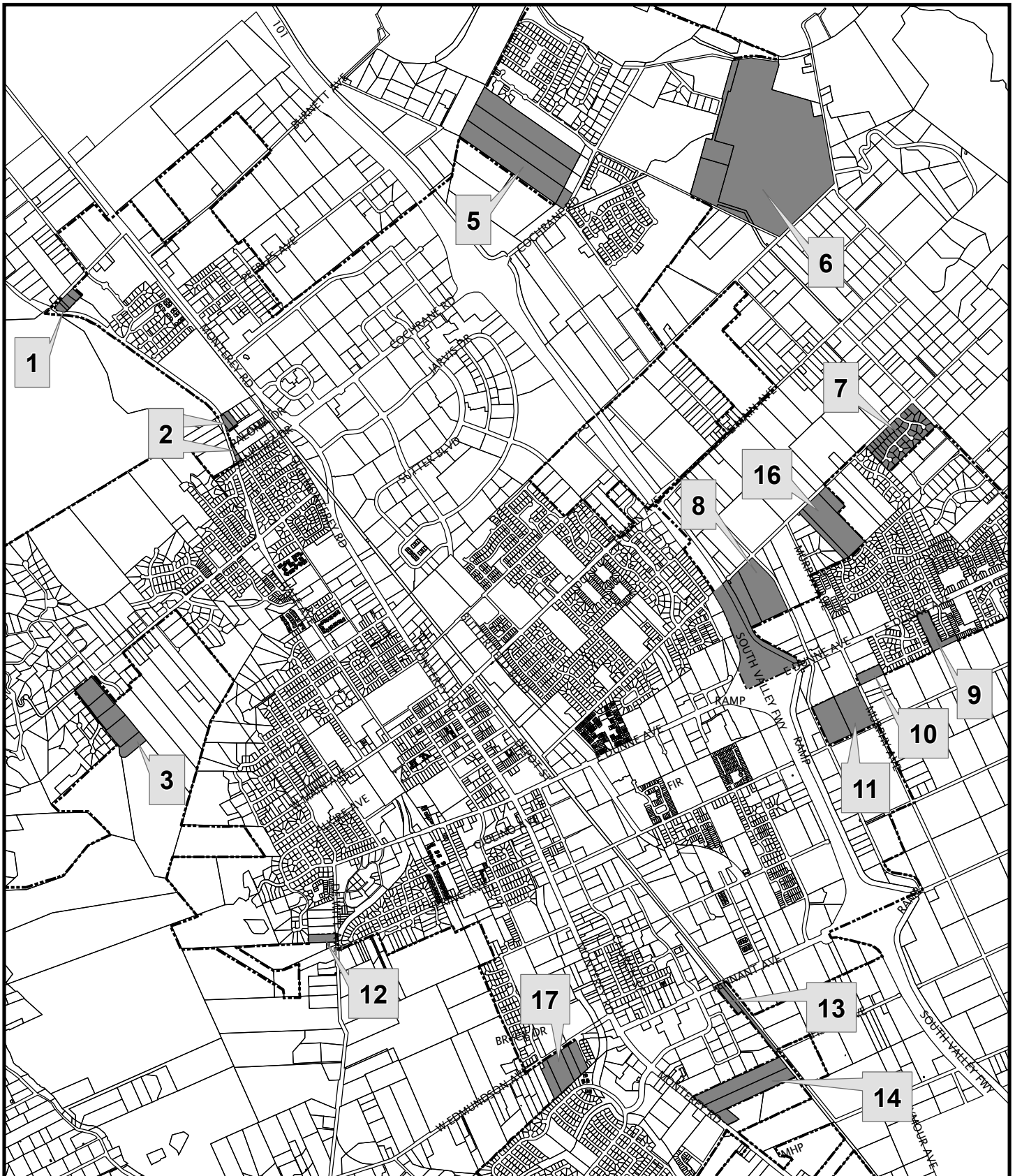
EXECUTIVE SUMMARY: This is the second and final public hearing for the Islands Annexation Project. The attachments to this staff report are organized by island number. The staff report for each island is followed by the zoning ordinance and annexation resolution for each island. The City Council agenda lists the specific recommended actions to be taken by the City Council for each island. The zoning ordinances and resolutions contain findings related to CEQA compliance. For Island #8, a Negative Declaration adopted in October 2005 provides CEQA compliance. For the other islands, the General Plan Master EIR (MEIR) provides CEQA compliance, as prezonings and annexations of lands were described as subsequent projects that were within the scope of the MEIR and appropriate procedures have been followed which enables use of the MEIR. Responses to certain questions which arose at the last public hearing are provided below:

Island #2: The Hernandez' parcel does not connect to Sanchez Dr./Del Monte Ave. The existing driveway cut actually provides access for the adjacent home to the south. Within the past few years, a lot line adjustment was approved which enlarged that south parcel by taking in a triangular sliver of land to its north, which had been part of a parcel which was actually located across Hale Rd to the west. The property owner then fenced the property. As stated at the hearings, whether any prescriptive access had been established or exists is a private matter for the two property owners to work out, to see whether the Hernandez parcel would be able to access Sanchez/Del Monte. Also, the section of Hale to be annexed is elevated, and there does not appear to be a drainage issue.


Island #3: One of the property owners requested that the City improve the street, Sabini Court, which provides access to the existing five parcels. This street is private, and will remain private after annexation. It is the responsibility of the property owners to maintain the street.

Island #16: While the legal advertising and most information related to this island referred to *three* parcels, there was certain information that indicated *two* parcels. The island contains three parcels.

FISCAL/RESOURCE IMPACT: The total assessed value of the islands proposed for annexation (not including Holiday Lakes Estates) is \$35,937,844. The County Assessor's office has estimated that Morgan Hill's gross share of the 1% property tax would be about 13%, however this is reduced to about 8% due to the ERAF effect. Therefore, estimated property tax revenue from these islands is about \$28,750.



0 750 1,500 3,000 4,500 6,000 Feet

 City Boundary

 Areas Proposed for Annexation



City of Morgan Hill Unincorporated Islands: Parcel Pre-Zoning and Annexation

Overview Map



ISLAND #1 ANX-05-01; ZA-05-17: TILTON & HALE

Island #1 is a 2.6-acre area containing 4 parcels, located at Tilton and Hale Avenues. The zoning amendment consists of rezoning APNs 764-09-002, -003, and -004 to the “Single Family R-1-12,000” zoning district, consistent with the existing city General Plan designation of Single Family Low 1-3 units per acre; and rezoning APN 764-09-015 to the “Public Facilities” zoning district, consistent with the existing city General Plan designation of Public Facilities.

DISCUSSION

Characteristics for each of the parcels proposed to be rezoned are as follows:

APN	PROPOSED ZONING	EXISTING LOT SIZE	EXISTING LAND USE
764-09-002	Single Family R-1-12,000	12,900 sf	Single Family Residential
764-09-003	Single Family R-1-12,000	37,462 sf	Single Family Residential
764-09-004	Single Family R-1-12,000	33,977 sf	Single Family Residential
764-09-015	PF– Public Facilities	0.67 acres net	VTa Park and Ride Lot

Lands to the north and west of this island are located in the unincorporated area and designated “Rural County”. The city’s Urban Growth Boundary is located at the northern and western edges of this island. Parcels to the south are zoned R-2-3,500/RPD, and lands to the east are zoned R-1-12,000. The proposed R-1-12,000 zoning for the residential parcels within this island reflects an appropriate transition between the R-2-3,500 parcels and the R-1-12,000 parcels.

It should be pointed out that Island #1 annexation area connects to Island #2 area via Hale Avenue, and that the full Hale Avenue right of way adjacent to and adjoining Islands #1 and #2 is included within the annexation area.

RECOMMENDATION

The Planning Commission and staff recommend that the City Council take the following actions:

Waive the Reading, and **Adopt** Ordinance No. 1767, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and **Further Reading Waived**; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL PRE-ZONING 1.91 ACRES, FROM COUNTY OF SANTA CLARA EXCLUSIVE AGRICULTURE ZONING A-20 TO SINGLE FAMILY R-1-12,000 FOR APNS 764-09-002, 003 & 004 AND PRE-ZONING 0.67 ACRES FROM COUNTY OF SANTA CLARA EXCLUSIVE AGRICULTURE ZONING A-20 TO PF, PUBLIC FACILITIES FOR APN 764-09-015 FOR APPLICATION ZA-05-17: CITY OF MORGAN HILL-TILTON & HALE.** (Roll Call Vote)

Adopt Resolution Approving Annexation.

ATTACHMENTS

- Ordinance No. 1767
- Resolution Approving Annexation

ISLAND #2 ANX-05-02; ZA--05-18: East of Hale

Island #2 is a 3.59-acre area containing 5 parcels, located at Hale Avenue and Campoli Drive near the northern terminus of Del Monte Avenue. The zoning amendment consists of rezoning APNs 764-23-017 and 764-24-001, -003, -004 and -005 to the “Single Family R-1-7,000” zoning district, consistent with the existing city General Plan designation of Single Family Medium 3-5 units per acre.

DISCUSSION

Characteristics for each of the parcels proposed to be rezoned are as follows:

APN	PROPOSED ZONING	EXISTING LOT SIZE	EXISTING LAND USE
764-24-003	Single Family R-1-7,000	1,300 sf	Vacant County land
764-24-004	Single Family R-1-7,000	27,878 sf	Vacant County land
764-24-005	Single Family R-1-7,000	32,234 sf	Single Family Residential
764-23-017	Single Family R-1-7,000	9,580 sf	Single Family Residential
764-24-001	Single Family R-1-7,000	8,275 sf	Unimproved Residential

Lands to the west of these island parcels are located in the unincorporated area but within the city’s Urban Growth Boundary, and are designated “Residential Estate”. Vacant lands to the north are designated Public Facilities and are included in the city’s Urban Service Area and UGB. Lands to the south and east are zoned Single Family R-1-7,000. The proposed R-1-7,000 zoning for the residential parcels within this island reflects an appropriate transitional land use classification to the adjacent lands, and also accommodates existing parcel sizes within the island.

It should be pointed out that Island #1 annexation area connects to Island #2 area via Hale Avenue, and that the full Hale Avenue right of way adjacent to and adjoining Islands #1 and #2 is included within the annexation area.

RECOMMENDATION

The Planning Commission and staff recommend that the City Council take the following actions:

Waive the Reading, and **Adopt** Ordinance No. 1768, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and **Further Reading Waived**; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL PRE-ZONING 1.85 ACRES, FROM COUNTY OF SANTA CLARA EXCLUSIVE AGRICULTURE ZONING A-20 AND A-SR TO SINGLE FAMILY R-1-7,000 FOR APNS 764-23-017 & 764-24-001, 003, 004 & 005 FOR APPLICATION ZA-05-18: CITY OF MORGAN HILL-EAST OF HALE.** (Roll Call Vote)

Adopt Resolution Approving Annexation.

ATTACHMENTS

- Ordinance No. 1768
- Resolution Approving Annexation

ISLAND #3 ZA-05-19: TERESA & SABINI

Island #3 is a 17.86-acre area containing 5 parcels located Llagas Road/Teresa Lane and Sabini Court. The zoning amendment consists of rezoning APNs 773-32-010, -011, -012, -013 and -014 to the “Residential Estate RE-40,000” zoning district, consistent with the existing city General Plan designation of Residential Estate 0-1 units per acre.

DISCUSSION

Characteristics for each of the parcels proposed to be rezoned are as follows:

APN	PROPOSED ZONING	EXISTING LOT SIZE	EXISTING LAND USE
773-32-010	Residential Estate RE-40,000	165,528 sf	Single Family Residential
773-32-011	Residential Estate RE-40,000	120,226 sf	Single Family Residential
773-32-012	Residential Estate RE-40,000	149,846 sf	Single Family Residential
773-32-013	Residential Estate RE-40,000	211,266 sf	Single Family Residential
773-32-014	Residential Estate RE-40,000	120,600 sf	Single Family Residential

Lands surrounding the parcels included within this island are designated Residential Estate 0-1 du/acre by the city’s General Plan. Lands to the north, west and part of the east are within the city limits and are zoned RE-40,000 (a minimum lot size of 40,000 square feet). The southerly portion of the lands to the east are not within the city limits and are large lots involving hillsides. Lands to the south of this island are not in the city limits, are designated Rural County, and also involve large lots and hillsides.

Staff had initially suggested the RE-100,000 zoning, which would reflect existing parcel sizes. Public testimony from a property owner supported the RE-40,000 zoning, which is also consistent with the existing General Plan designation. The Planning Commission has recommended rezoning to RE-40,000, and staff has no objection.

RECOMMENDATION

The Planning Commission and staff recommend that the City Council take the following actions:

Waive the Reading, and **Adopt** Ordinance No. 1769, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and **Further Reading Waived**; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL PRE-ZONING 17.62 ACRES, FROM COUNTY HILLSIDE HS TO RESIDENTIAL ESTATE RE 40,000 FOR APNS 773-32-010, 011, 012, 013 & 014 FOR APPLICATION ZA-05-19: CITY OF MORGAN HILL-TERESA & SABINI.** (Roll Call Vote)

Adopt Resolution Approving Annexation.

ATTACHMENTS

- Ordinance No. 1769
- Resolution Approving Annexation

ISLAND #5 ANX-05-05; ZA-05-21: Cochrane & Mission View

Island #5 is a 54.92-acre area containing 3 parcels located at Cochrane Road and Mission View. The zoning amendment consists of rezoning APN 728-36-006, as well rezoning APN 728-36-011 (an adjacent 1.65-acre parcel already within the city limits located in at the corner of Cochrane and Mission View), to the “Single Family R-1-7,000” zoning district; and rezoning APNs 728-36-007 and -008 to the “Single Family R-1-9,000” zoning district. These zonings are consistent with the existing General Plan designation of Single Family Medium 3-5 units per acre.

DISCUSSION

Characteristics for each of the parcels proposed to be rezoned are as follows:

APN	PROPOSED ZONING	EXISTING LOT SIZE	EXISTING LAND USE
728-36-006	Single Family R-1-7,000	18.30 acres; 797,148 sf	Vacant
728-36-011	Single Family R-1-7,000	1.65 acres; 71,875 sf	Vacant
728-36-007	Single Family R-1-9,000	18.30 acres; 797,148 sf	Vacant
728-36-008	Single Family R-1-9,000	18.30 acres; 797,148 sf	Vacant & SFR

Both Islands #5 and #6, which are designated for residential uses and are proposed for residential zoning, are located within the Cochrane Road Assessment District (CRAD). The City is subject to a court order which requires annexation of CRAD parcels upon the request of the property owner. As the property owners have requested annexation as part of the city’s unincorporated islands annexation project, the City must annex the islands at this time. However, annexation does not mean that development will necessarily occur in the near term. The court order also provides that these Islands #5 and #6 are subject to the city’s Residential Density Control System. The City has already awarded residential building allotments through the 2009/10 year, therefore the earliest that these parcels could even attempt to compete for allotments would be for the 2010/11 year.

APNs 728-36-006 and -011 will be located along the extension of Mission View Drive, just to the east of the approved Cochrane-101 sub-regional shopping center. The proposed zoning that is consistent with the existing GP Single Family Medium land use classification is R-1-7,000. This zoning classification allows for a 75% reduction in minimum lot size (to 5,250 square feet per lot) for 25% of the lots within subdivisions that are processed as a Residential Planned Development (RPD). It should be noted that APN 728-36-011 is already located within the city (at the corner of Cochrane and future Mission View), and is being rezoned (rather than rezoned) from its existing R-1-9,000 classification to the R-1-7,000 district.

The other two parcels are proposed to be rezoned to R-1-9,000 which is consistent with the existing GP designation of Single Family Medium, and also provides an appropriate “feathering” transition between the above-recommended R-1-7,000 and the existing R-1-12,000 zoning to the west (which is an existing subdivision developed at the R-1-12,000 density).

RECOMMENDATION

The Planning Commission and staff recommend that the City Council take the following actions:

Waive the Reading, and **Adopt** Ordinance No. 1770, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and **Further Reading Waived**; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL PRE-ZONING 36.60 ACRES, FROM COUNTY GENERAL USE A1-2.5 TO SINGLE FAMILY R-1 9,000 FOR APNS 728-36-007 & 008, PRE-ZONING 18.30 ACRES FROM COUNTY GENERAL USE A1-2.5 TO SINGLE FAMILY R-1 7,000 FOR APN 728-36-006 AND REZONING 1.65 ACRES FROM SINGLE FAMILY R-1 9,000 TO SINGLE FAMILY R-1 7,000 FOR APN 728-36-011 AS CONTAINED IN APPLICATION ZA-05-21: CITY OF MORGAN HILL-COCHRANE AND MISSION VIEW.** (Roll Call Vote)

Adopt Resolution Approving Annexation.

ATTACHMENTS

- Ordinance No. 1770
- Resolution Approving Annexation

ISLAND #6 ANX-05-06; ZA-05-22: Cochrane & Peet

Island #6 is a 141.99-acre area containing 3 parcels located at Cochrane and Peet Roads. The zoning amendment consists of rezoning APNs 728-34-001 and -008 to the “Public Facilities” zoning district, consistent with the existing city General Plan designation of Public Facilities; and rezoning APN 728-34-009 to three different Single Family Residential density classifications, each with the RPD Overlay, consistent with existing city General Plan designation of Single Family Low 1-3 units per acre:

Single Family R-1-12,000/RPD (34.77 acres)

Single Family R-1-20,000/RPD (45.03 acres)

Residential Estate RE-40,000/RPD (41.51 acres)

DISCUSSION

Characteristics for each of the parcels proposed to be rezoned are as follows:

APN	PROPOSED ZONING	EXISTING LOT SIZE	EXISTING LAND USE
728-34-001	PF Public Facilities	10.27 acres; 447,361 sf	SCVWD facilities
728-34-008	PF Public Facilities	8.23 acres; 358,499 sf	SCVWD facilities
728-34-009	RE-40,000/RPD 41.51 acres; R-1-20,000/RPD 45-03 acres; R-1-12,000/RPD 34.77 acres Vacant; Orchards		

Both Islands #5 and #6, which are designated for residential uses and are proposed for residential zoning, are located within the Cochrane Road Assessment District (CRAD). The City is subject to a court order which requires annexation of CRAD parcels upon the request of the property owner. As the property owners have requested annexation as part of the city’s unincorporated islands annexation project, the City must annex the islands at this time. However, annexation does not mean that development will necessarily occur in the near term. The court order also provides that these Islands #5 and #6 are subject to the city’s Residential Density Control System. The City has already awarded residential building allotments through the 2009/10 year, therefore the earliest that these parcels could even attempt to compete for allotments would be for the 2010/11 year.

Two of the parcels are appropriate for Public Facility zoning, in that they are used for SCVWD facilities. The third and largest portion of the island is almost 123 acres. It is recommended that that parcel be given three zoning classification, in order to implement General Plan “land use density feathering” policies.

RECOMMENDATION

The Planning Commission and staff recommend that the City Council take the following actions:

Waive the Reading, and **Adopt** Ordinance No. 1771, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and **Further Reading Waived**; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL PRE-ZONING 18.5 ACRES, FROM COUNTY EXCLUSIVE AGRICULTURE A-20 TO PUBLIC FACILITIES FOR APNS 728-34-001 & 008; PRE-ZONING A 34.77 ACRE PORTION OF APN 728-34-006 FROM COUNTY EXCLUSIVE AGRICULTURE A-20 TO SINGLE FAMILY R-1-12,000 RESIDENTIAL PLANNED DEVELOPMENT; PRE-ZONING A 45.03 ACRE PORTION OF APN 728-34-006 FROM COUNTY EXCLUSIVE AGRICULTURE A-20 TO SINGLE FAMILY R-1-20,000 RESIDENTIAL PLANNED DEVELOPMENT; AND PRE-ZONING THE REMAINING 41.51 ACRES FROM COUNTY EXCLUSIVE AGRICULTURE A-20, TO RESIDENTIAL ESTATE RE 40,000 RESIDENTIAL PLANNED DEVELOPMENT, FOR APPLICATION ZA-05-22: CITY OF MORGAN HILL-COCHRANE AND PEET.** (Roll Call Vote)

Adopt Resolution Approving Annexation.

ATTACHMENTS

- Ordinance No. 1771
- Resolution Approving Annexation

ISLAND #7 ANX-05-07: Diana & Hill (El Dorado III)

Island #7 is a 23.99 acre area that includes the existing El Dorado III subdivision, containing 46 homes. The area is already rezoned to the Single Family Low Density R-1-12,000 zoning classification, consistent with the existing General Plan land use designation of Single Family Low 1-3 units/acre.

DISCUSSION

Ordinance No. 877 pre-zoning this area was adopted in 1988. The island includes 46 parcels: APNs 728-07-001 through -046. The homes are already served with city water and are connected to the sewer system. Measure C anticipated annexation of this area, and “exempted” population from this subdivision (as well as from Holiday Lakes Estates). The estimated population from the subdivision is 141 persons. The streets have not been accepted by a public agency. An association was apparently never created to maintain the landscaped setback along Hill, and the original developer owns the landscape parcels. The street lights are lit, and it appears that the City is already paying utility bills for such.

The City Council may be asked in the future whether it would accept a dedication of the subdivision streets and landscape parcels along Hill, or would prefer to leave such matters in “status quo” -- to be maintained by the subdivision property owners, which apparently is the present informal (non-Association) approach.

It should be pointed out that the annexation area includes the entire section of Hill, from Diana to Dunne, in accordance with LAFCO annexation policies.

The assessed value of this island is \$22,775,000, which will result in an estimated \$18,220 in property taxes annually to the City of Morgan Hill general fund.

RECOMMENDATION

The Planning Commission and staff recommend that the City Council take the following action:

Adopt Resolution Approving Annexation.

ATTACHMENTS

- Resolution Approving Annexation

ISLAND #8 ANX-05-08; ZA-05-32

Island #8 is a 62.34-acre area containing 4 parcels, of which two are already appropriately pre-zoned as Planned Unit Development-Commercial. The zoning amendment consists of rezoning the other 2 parcels, which include a Water District drainage channel (APN 728-17-008) and a City well site (APN 728-17-024), to the “PF Public Facilities” zoning district, consistent with the existing city General Plan designations.

DISCUSSION

Characteristics for each of the parcels proposed to be rezoned are as follows:

APN	PROPOSED ZONING	EXISTING LOT SIZE	EXISTING LAND USE
728-17-008	PF Public Facilities	6.77 acres	Drainage Channel
728-17-024	PF Public Facilities	2,600 sf	City Well Property

728-17-024 is a “Re-Prezoning” from PUD

The two other parcels in this island were rezoned in October 2005 to a Planned Unit Development zoning district. At the time, the city’s well site was inadvertently rezoned to that PUD zoning district. It would be more appropriate to zone the well site to Public Facilities. The SCVWD drainage channel is an adjacent parcel. Currently, the drainage channel is designated Open Space, and has no zoning. Staff suggests that it is appropriate for this parcel to have a zoning classification, and believes that the PF zoning district is the most appropriate classification and not inconsistent with the Open Space GP land use designation.

This island also includes a large adjacent portion of Highway 101 adjacent to the island, as shown by the attached annexation exhibit.

RECOMMENDATION

The Planning Commission and staff recommend that the City Council take the following actions:

Waive the Reading, and **Adopt** Ordinance No. 1772, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and **Further Reading Waived**; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL PRE-ZONING 6.77 ACRES, FROM COUNTY EXCLUSIVE AGRICULTURE A-20 TO PUBLIC FACILITIES FOR APN 728-17-008, AND RE-ZONING A .06 ACRE PARCEL FROM PLANNED UNIT DEVELOPMENT PUD, TO PUBLIC FACILITIES PF, FOR APN 728-17-024, FOR APPLICATION ZA-05-32: CITY OF MORGAN HILL-U.S. HIGHWAY 101 AND CONDIT.** (Roll Call Vote)

Adopt Resolution Approving Annexation.

ATTACHMENTS

- Ordinance No. 1772
- Resolution Approving Annexation

ISLAND #9 ANX-05-09: E. Dunne - Wong

Island #9 is a 4.83-acre area containing 1 parcel (APN 773-08-016) , which is already prezoned to the R-1-7,000 zoning classification, consistent with the existing Single Family Medium 3-5 du/acre General Plan land use designation.

DISCUSSION

This parcel was prezoned in July 2000, but annexation had not progressed due to lack of progress with certain code compliance considerations. The approach at this point is for the City of Morgan Hill to annex the parcel under the island annexation program, and any required code compliance could be carried out by city staff after annexation, in response to complaints or knowledge of life-safety issues.

RECOMMENDATION

The Planning Commission and staff recommend that the City Council take the following action:

Adopt Resolution Approving Annexation.

ATTACHMENT

- Resolution Approving Annexation

ISLAND #10 ANX-05-10: MURPHY

Island #10 is a 2.34 acre area containing 1 parcel (APN 817-19-001). The parcel was rezoned to the R-1-7,000 zoning classification in June 2000 (Ordinance No. 1479), consistent with the existing General Plan designation of Single Family Medium 3-5 unit per acre.

DISCUSSION

The property is single family residential; city staff is not aware of any objection to the annexation proposal.

RECOMMENDATION

The Planning Commission and staff recommend that the City Council take the following action:

Adopt Resolution Approving Annexation

ATTACHMENT

- Resolution Approving Annexation

ISLAND #11 ANX-05-11; ZA-05-33: Condit & Murphy

Island #11 is a 18.71-acre area consisting of 2 parcels, located along Condit Road, and bounded by San Pedro and Murphy Avenues. The zoning amendment consists of rezoning APNs 817-12-006 and -009 to the “CG General Commercial” zoning district, consistent with the existing city General Plan designation of Commercial.

DISCUSSION

Characteristics for each of the parcels proposed to be rezoned are as follows:

APN	PROPOSED ZONING	EXISTING LOT SIZE	EXISTING LAND USE
817-12-006	CG General Commercial	8.85 acres gross; 8.54 acres net	Vacant
817-12-009	CG General Commercial	10.00 acres gross; 9.64 acres net	Vacant

Lands to the north and west of these parcels are designated and zoned Planned Unit Development (Commercial). Lands to the east are designated Residential Estate and are located within the city’s Urban Growth Boundary, but are not within the city’s Urban Services Area. Lands to the south are designated and zoned Public Facilities, and include the soccer fields and aquatics center.

RECOMMENDATION

The Planning Commission and staff recommend that the City Council take the following actions:

Waive the Reading, and **Adopt** Ordinance No. 1773, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and **Further Reading Waived**; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL PRE-ZONING 18.85 ACRES, FROM COUNTY EXCLUSIVE AGRICULTURE A-20 TO GENERAL COMMERCIAL CG, FOR APN 817-12-006 & APN 817-12-009 FOR APPLICATION ZA 05-33: CITY OF MORGAN HILL-CONDIT & MURPHY.** (Roll Call Vote)

Adopt Resolution Approving Annexation.

ATTACHMENTS

- Ordinance No. 1773
- Resolution Approving Annexation

ISLAND #12 ANX-05-12; ZA-05-34: Dewitt

Island #12 is a 2.00-acre parcel (APN 773-08-016) located at 16775 Dewitt Avenue, which is already developed with a residential use. The parcel is already rezoned to the “Single Family R-1-12,000” with “Residential Planned Development zoning overlay” classification consistent with the existing city General Plan designation of Single Family Low 1-3 units per acre.

DISCUSSION

In January 2004, consistent with the city’s General Plan land use designation of “Single Family Low 1-3 dwelling units per acre”, this property along with 3 adjacent properties to the north were pre-zoned to the “R-1-12,000 – Single Family Low Density/Residential Planned Development” zoning district. The other three parcels were approved for a subdivision, were annexed, and are developing. This last parcel was included in the RPD, and showed a potential development of 3 lots (see attached exhibit)

Without the RPD, the 12,000 sf minimum lot size applied to this 2-acre lot could allow for up to 7 units on the property, assuming other zoning and subdivision requirements are met. The parcel contains slopes and other constraints, so 7 lots may not be achievable, but now that city codes do not require each lot to have street frontage, more than 3 could be possible.

Originally, staff had recommended a zoning amendment in order to remove the “RPD” overlay. However, the Planning Commission recommended retaining the RPD in order to preserve the 3-unit configuration. No zoning action is recommended at this time.

RECOMMENDATION

The Planning Commission recommends that the City Council take the following action:

Adopt Resolution Approving Annexation

ATTACHMENTS

- Resolution Approving Annexation

ISLAND #13 ANX-05-13; ZA-05-23: Tennant & Railroad

Island #13 is a 2.87-acre area containing 2 parcels located at Tennant and the UPRR tracks. The zoning amendment consists of rezoning APN 817-06-053 to the “ML Light Industrial” zoning district, consistent with the existing city General Plan designation of Industrial; and rezoning APN 817-06-054 to the “PF Public Facilities” zoning district, consistent with its use as a transportation facility.

DISCUSSION

Characteristics for each of the parcels proposed to be rezoned are as follows:

APN	PROPOSED ZONING	EXISTING LOT SIZE	EXISTING LAND USE
817-06-053	ML Light Industrial	67,954 sf	Vacant
817-06-054	PF Public Facilities	55,320 sf	Rail Transportation Corridor

It should be noted that the UPRR corridor has no urban land use designation on the General Plan Land Use Map; it is shown as a transportation corridor. However, since the land has an Assessor’s Parcel Number, it is proposed to zone the parcel to Public Facilities. Other portions of the UPRR corridor are also parcels, which are not presently zoned with any zoning classification. If the City Council agrees that such parcels should have a zoning, then the PF district is appropriate and would set a direction for eventually applying the PF zoning classification to other parcels that are included within the UPRR corridor.

RECOMMENDATION

The Planning Commission and staff recommend that the City Council take the following actions:

Waive the Reading, and **Adopt** Ordinance No. 1774, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and **Further Reading Waived**; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL PRE-ZONING 1.56 ACRES, FROM COUNTY AGRICULTURAL A-20A TO LIGHT INDUSTRIAL ML, AND 1.17 ACRES TO PUBLIC FACILITIES PF, FOR APN 817-06-053 & 817-06-054 FOR APPLICATION ZA-05-23: CITY OF MORGAN HILL-TENNANT AND RAILROAD.** (Roll Call Vote)

Adopt Resolution Approving Annexation

ATTACHMENTS

- Ordinance No. 1774
- Resolution Approving Annexation

ISLAND #14 ANX-05-14; ZA-05-24: Monterey Road

Island #14 is a 20.26-acre area containing 3 parcels located along Monterey Road near the terminus of Watsonville Road. The parcels have already been rezoned “Planned Unit Development–Light Industrial” (PUD-ML). APNs include 817-06-004, -005, and -006.

DISCUSSION

Two parcels currently contain residential uses; one of the large parcels is vacant. Upon annexation, the legal nonconforming residential uses may continue but may not intensify. Any required code compliance would be carried out by city staff after annexation, in response to complaints or knowledge of life-safety issues.

RECOMMENDATION

The Planning Commission and staff recommend that the City Council take the following action:

Adopt Resolution Approving Annexation

ATTACHMENT

- Resolution Approving Annexation

ISLAND #16 ANX-05-16: Diana & Jasmine

Island #16 is a 19.04-acre area containing 3 parcels, which are already appropriately rezoned as R-1-12,000/Residential Planned Development Overlay. This is consistent with the existing city General Plan designation of Single Family Low 1-3 units per acre. APNs include 728-18-012, 728-19-001, and 728-19-002.

DISCUSSION

The current land use is residential; staff is not aware of any objection to annexation.

RECOMMENDATION

The Planning Commission and staff recommend that the City Council take the following action:

Adopt Resolution Approving Annexation

ATTACHMENT

- Resolution Approving Annexation

ISLAND #17 ANX-05-17; ZA-05-35: W. Edmundson & Piazza

Island #17 is a 12.64-acre annexation area containing 4 parcels located along West Edmundson at Piazza. The zoning amendment consists of changing the existing prezoning for APN 767-21-045 to remove the RPD overlay, such that the change is from R-2 (3,500)/RPD to a prezoning of “Multi Family R-2 (3,500)” zoning district, consistent with the existing city General Plan designation of “Multi-Family Low 5-14 du/acre”. The 3 other parcels (APNs 767-21-013, -014 and -015) are already pre-zoned to the “Single Family Medium Density (R-1-9,000)/Residential Planned Unit Development (RPD)” district, consistent with the Single Family Medium 3-5 units per acre General Plan designation.

DISCUSSION

Characteristics for the parcel proposed to be rezoned is as follows:

APN	PROPOSED ZONING	EXISTING LOT SIZE	EXISTING LAND USE
767-21-045	Multi-Family R-2(3,500)	100,188 sf	Residential

In May 2001 three of these parcels (-013, -014, -015) were pre-zoned to the “Single Family Medium Density (R-1-9,000)/Residential Planned Unit Development (RPD)” district consistent with the R-1-9,000 classification (the minimum lot size is 9,000 square feet). Parcel 767-21-045 was prezoned to R-2 (3,500)/RPD, consistent with it’s existing General Plan land use designation of “Multi-Family Low 5-14 du/acre”. At that time in 2001, the Pinn Brothers were attempting to subdivide the property along with 3 adjacent properties, to a Residential Planned Development. That developer subsequently abandoned that effort.

Staff had originally recommended that the RPD overlay also be removed from the other 3 parcels (APNs 767-21-013, -014 and -015), so that the parcels were “re-prezoned” to the “Single Family R-1-9,000” zoning district, consistent with the existing city General Plan designation of Single Family Medium -3 units per acre. However, the Planning Commission recommended that the RPD overlay remain over those three parcels, and staff does not object.

RECOMMENDATION

The Planning Commission and staff recommend that the City Council take the following actions:

Waive the Reading, and **Adopt** Ordinance No. 1775, New Series, and **Declare** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and **Further Reading Waived**; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING A ZONING AMENDMENT TO REZONE A SINGLE 2.30 ACRE PARCEL LOCATED ON THE SOUTH SIDE OF WEST EDMUNDSON AVENUE, ACROSS THE STREET FROM COMMUNITY PARK, FROM MULTI-FAMILY LOW R-2 3,500 RESIDENTIAL PLANNED DEVELOPMENT TO MULTI-FAMILY MEDIUM R-2 3,500. (ZA-05-35: W. Edmundson-Piazza).** (Roll Call Vote)

Adopt Resolution Approving Annexation.

ATTACHMENTS

- Ordinance No. 1775
- Resolution Approving Annexation



REDEVELOPMENT AGENCY

MEETING DATE: MAY 24, 2006

Agenda Item # 19

Prepared By:

**Special Assistant to the
City Manager**

Submitted By:

City Manager

LEADERSHIP MORGAN HILL – 2006 CLASS PROJECT

RECOMMENDED ACTION(S):

Accept public art piece project for the new library and site location.

EXECUTIVE SUMMARY:

2006 Leadership Morgan Hill Class Representatives presented on May 8, 2006 to the Library, Culture & Arts Commission a proposal providing a public outdoor art piece for the new library. Class representatives previously met with city staff in determining a location along the walkway leading to the main entrance of the library as the preferred site for the art piece. The Leadership Class will be presenting their proposed artwork and proposal tonight for Council's approval which includes a fundraising plan.

Artwork selection was based on three key criteria chosen by the class:

1. Display Reading
2. Appropriate Size/Substance
3. Reflect Diversity

The LCAC fully endorsed the proposal for RDA Board consideration. Friends of the Morgan Hill Library have also reviewed the proposal and will be focusing their fund-raising efforts for artwork within the building.

The Leadership Class is proposing to fund the art piece and installation costs. Once the art piece is permanently installed, the Agency will assume responsibility for the piece including maintenance and liability. Please refer to the attached memo from the Leadership Morgan Hill Class of 2006.

FISCAL IMPACT: No fiscal impact projected at this time.



CITY COUNCIL/REDEVELOPMENT

AGENCY MEETING DATE: *May 24, 2006*

PROPERTY BASED IMPROVEMENT DISTRICT (PBID)

Agenda Item # 20

Approved By:

BAHS Director

Submitted By:

Executive Director

RECOMMENDED ACTION(S): 1) Consider a petition from the Morgan Hill Downtown Association (MHDA) to initiate special assessment proceedings to form a PBID in downtown and 2) Direct the City Manager/Executive Director to sign the petition in favor of the assessment and adopt the resolution of intent to initiate the special assessment proceedings.

EXECUTIVE SUMMARY: Last year, the MHDA pursued a petition drive to form a PBID in downtown. However, the MHDA was unable to secure the prerequisite number of signatures needed to request the City to put the PBID to a vote of the property owners. Since then, the MHDA has met with concerned property owners and revised the management plan to address their concerns. The proposed Downtown Morgan Hill PBID is designed to benefit properties in the downtown area. The PBID will fund services and activities related to capital improvements, economic development and marketing, pedestrian security and safety, and public space and policy advocacy to the properties within the PBID district. There are two benefit zones: Premium Zone and Standard Zone. The assessments are based on lot square footage and building square footage. The duration of the PBID is five years and the total PBID budget for the first year is \$75,000 with provisions for annual increases up to 5% per year. For your reference attached are the MHDA request, management district plan, engineer's report, and City/Agency petitions. Last year, the PBID proposed an initial annual assessment budget of \$197,000 and had a larger area for the standard zone.

The MHDA has been working diligently over the past several months to complete the required petition phase. In order for the City Council to initiate the special assessment proceedings, it must first receive petitions signed by property owners in the proposed district who will pay more than 50% of the proposed assessments. The City/Agency assessments represent about 31.8% or \$23,862 of the total \$75,000 assessment. As of this staff report, MHDA has received petitions approving about 38.0% (\$28,487) of the total assessment. As a policy issue, staff requested that the MHDA obtain approval representing at least 50% of the remaining assessments not including the City/Agency assessment. Our intent was to show that a majority of the assessed property owners support the PBID. The City/Agency vote would merely "put the petition over the top." MHDA has obtained 55.7% of the remaining assessments (\$28,487 of \$51,137).

With the City/Agency's vote, the approved petitions would represent almost 70% of the total assessment. However, the City/Agency could determine that obtaining 50% of the remaining assessments is too low a percentage threshold and require a higher percentage from the MHDA. The Council's Community & Economic Development Committee (C&ED) is recommending that the "50% of the remaining assessments" policy is a reasonable threshold and that the Council schedule the public hearing to form a PBID.

The MHDA is proposing to augment the PBID budget with a request in matching funds from the Agency. However, the MHDA is not requesting funding at this time and plans to return to the Council in June with a formal request. The C&ED has requested that the MHDA proposal factor the passage of the Agency's Plan Amendment and the PBID into any financial request. Should the City/Agency wish to move ahead and authorize its petition approval to meet the 50% requirement, then the next step would be to adopt the resolution and set the public hearing for July 19, 2006 for the PBID vote.

FISCAL IMPACT: None at this time, but the final approval of the PBID would require the City/Agency to pay over \$23,000 in annual property assessments for five years.



CITY COUNCIL STAFF REPORT

MEETING DATE: May 24, 2006

UNITED WAY 2-1-1 PROGRAM FUNDING REQUEST

Agenda Item # 21

Prepared By:

**Special Assistant to the
City Manager**

Submitted By:

City Manager

RECOMMENDED ACTION(S):

1. Receive presentation by United Way Representatives
2. Council discretion on funding United Way's 2-1-1 call center for \$10,000

EXECUTIVE SUMMARY

Council received a staff report at the April 26, 2006 meeting, and directed staff to send a letter to the Public Utilities Commission in support of the 2-1-1 Call Center. Council also requested United Way's representative to provide a presentation to Council on the 2-1-1 Call Center Program at a future Council meeting in response to their letter asking for funding support. Refer to the attached letter. The presentation has been scheduled for this evening.

Support for the 2-1-1 Call Center Program began with a presentation by a United Way representative at the January 22, 2003 City Council meeting. That evening, Ms. Tobin asked for concept support in the formation of the 2-1-1 Call Center Program. Council minutes note that Ms. Tobin indicated that adoption of the resolution in support does not commit the City to any costs. City Council unanimously (5-0) adopted the Resolution of Support. Refer to attached resolution and minutes.

Tonight, Mark Walker, President and CEO of United Way Silicon Valley, is requesting funding support in the amount of \$10,000, per the attached letter. United Way is open to discussing amounts that may better fit our budget situation at this time. A modified request for "10 cents" per capita over the next three years has been suggested. This would result in approximately \$3,700 per year from the City of Morgan Hill. The City of San Jose has recently allocated \$100,000 as their contribution.

United Way's 2-1-1 call center will require long-term funding commitments as yet to be determined. Council should take this under consideration as they begin to appropriate funds to this program.

FISCAL IMPACT: Possible General Fund impact of \$10,000 annually over the next three years.



CITY COUNCIL STAFF REPORT

MEETING DATE: May 24, 2006

2005 ANNUAL CONSUMER CONFIDENCE REPORT REGARDING WATER QUALITY

RECOMMENDED ACTION(S): For Council information only.

EXECUTIVE SUMMARY: The City of Morgan Hill is regulated by the California State Department of Health Services (DOHS), Office of Drinking Water. Every year, the DOHS requires the City of Morgan Hill to prepare and distribute to every water customer an annual Consumer Confidence Report (CCR) providing information on the water quality supplied to the community.

The Utilities and Environmental Subcommittee "U&E" reviewed the 2005 CCR report on May 22, 2006. Any comments or amendments to the CCR from the U&E Subcommittee will be presented to the City Council at the May 24, 2006 meeting. The report must be distributed to every water customer by July 1, 2006.

DOHS have developed Primary and Secondary Standards with defined limits, Maximum Contaminant Levels "MCL" and Secondary Maximum Contaminant Levels "SMCL" respectively. Primary Standards are established for potentially harmful substances and Secondary Standards deal with the aesthetic qualities of the water that include odor, taste, and color. To ensure the protection of public health from contamination in domestic water supplies, DOHS requires regular monitoring of both MCL and SMCL contaminants.

All testing of water from the City water system is performed by a state-certified independent laboratory. Tests are performed both at the wellhead of the City's 15 deep water wells to check the quality of the source water and throughout the distribution system. Perchlorate sampling was performed monthly at all City wells and weekly at the two Ion Exchange Treatment Systems located at Nordstrom and Tennant wells. The cost of water testing during 2005 was approximately \$160,000 (\$60,000 for perchlorate testing).

For the calendar year 2005, the tap water produced in the City of Morgan Hill met all U.S. Environmental Protection Agency (USEPA) and DOHS standards. This report provides the residents of the City of Morgan Hill with reassuring documentation that their drinking water system is vigilantly monitored and maintained, and meets all regulatory requirements without exception.

FISCAL /RESOURCE IMPACT:

The cost of preparing, printing, and mailing the 2005 Consumer Confidence Report is estimated at \$1,700. This year the report will once again be published in the City Connection City publication and disseminated to residents of Morgan Hill. This practice has been determined to be the most efficient manner of distributing the vital information found in this report. Sufficient funds are currently budgeted for this expenditure in our Water Operations budget.

Agenda Item # 22

Prepared By:

**Deputy Director of
Public Works**

Approved By:

Department Director

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: May 24, 2006

Agenda Item # 23

Prepared By:

Project Manager

Approved By:

**Community
Development Director**

Submitted By:

City Manager

REVIEW OF COUNTY LAND USE INITIATIVE

RECOMMENDED ACTION(S): Consider whether to adopt a formal City position.

EXECUTIVE SUMMARY: People for Land and Nature (PLAN) has submitted an initiative to the County for the November ballot that would amend the County General Plan, modifying some of its land use regulations for the Hillside, Ranchlands, and Agriculture-Large Scale land use designations. The initiative would not affect land use within other County land use designations or land in the city limits. Supporters of the initiative have requested City Council endorsement of the initiative. The matter has been reviewed by the Council's Regional Planning and Transportation sub-committee. The sub-committee recommends the Council consider the initiative but did not take a position regarding its endorsement. A copy of the initiative and a summary of its provisions, prepared by PLAN, are attached to this memo.

Major changes proposed by the initiative include the following:

1. Increases the minimum lot size in Hillside areas from 20 to 40 acres and generally doubles minimum lot sizes, based on property slope, up to 160 acres in size.
2. Eliminates exceptions to the 160-acre minimum lot sizes in Ranchland areas (which currently allow lots as small as 20 acres for lands of 10% slope or less).
3. Generally reduces the size of building envelopes for lots created by subdivision in Hillside areas by replacing the current standard of 10% of the parcel size with a fixed 3-acre maximum.
4. Establishes a maximum floor area of 20,000 sq. ft. for most properties of approximately 20 acres or more, where no such limitation currently exists.
5. Prohibits building on ridgelines (unless no alternatives are available), where current regulation allows ridgeline development if adequately mitigated.
6. Requires hillside subdivisions to be designed to minimize visual impacts of new development.
7. May require that amendments to South County Joint Area Plan be voter-approved.

Amendments 1 thru 6 are generally consistent with the recommendations of the Urban Limit Line / Greenbelt Study. The proposed amendments would limit future subdivision and minimize the visibility of future development in hillside areas. Amendment 7 may affect potential change to the South County Plan.

Should Council members wish to take a position regarding the initiative, Staff recommends they do so as individuals and not as a formal City position. The Board of Supervisors has not yet taken a position on the initiative. Except in extraordinary circumstances, staff does not recommend the City Council take a position on an initiative that affects another governmental agency and that has not been endorsed by that agency. As an alternative, the Council may wish to defer consideration of the initiative until the Board has had the opportunity to take a position regarding its approval. This may occur later this summer. A third alternative is for the Council to endorse the initiative at this time. A resolution of support for the initiative is attached, should the Council wish to take that action.

FISCAL IMPACT: No budget adjustment required

Attachments: Resolution of Support
Summary of the Proposed Initiative
Santa Clara County Land-Use Initiative

RESOLUTION NO.

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF MORGAN HILL SUPPORTING THE SANTA CLARA
COUNTY LAND CONSERVATION INITIATIVE**

WHEREAS, the Santa Clara County Land Conservation Initiative was considered by the City Council at their regular meeting of May 24, 2006, and

WHEREAS, the City of Morgan Hill supports the County's efforts to direct urban levels of development into cities and to restrict the amount and location of rural development, and

WHEREAS, Morgan Hill values its quality of life and has consistently supported saving open space as an important community resource for recreation and scenic qualities, and

WHEREAS, voter approval of the initiative would support and further the City's goals for creation of a greenbelt around the City.

THEREFORE, be it resolved that the Morgan Hill City Council endorses the Santa Clara County Land Conservation Initiative that will appear on the November, 2006 ballot.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 24th Day of May, 2006 by the following vote.

AYES: **COUNCIL MEMBERS:**
NOES: **COUNCIL MEMBERS:**
ABSTAIN: **COUNCIL MEMBERS:**
ABSENT: **COUNCIL MEMBERS:**

☞ CERTIFICATION ☞

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. , adopted by the City Council at a Regular Meeting held on May 24, 2006.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT

MAY 24, 2006

Agenda Item # 24

Prepared By:

**Council Services &
Records Manager**

Submitted By:

City Manager

APPOINTMENTS TO FILL VACANCIES ON THE ARCHITECTURAL & SITE REVIEW BOARD, MOBILE HOME RENT COMMISSION, AND SENIOR ADVISORY COMMISSION

RECOMMENDED ACTIONS: Consider, Discuss and Ratify Mayor's Appointment to Fill Vacancies on the Architectural & Site Review Board, Mobile Home Rent Commission, and Senior Advisory Commission.

EXECUTIVE SUMMARY:

Architectural & Site Review Board

There are currently two (2) vacancies on the Architectural & Site Review Board. On May 3, 2006, the City Council interviewed Linda Hinkle and Jon Maxey to fill vacancies on the Architectural & Site Review Board. An application was also received from Mr. Rocke Garcia. However, the Council did not have the opportunity to interview Mr. Garcia. The two individuals appointed will serve two-year terms expiring June 1, 2008.

Mobile Home Rent Commission

There are currently three (3) vacancies on the Mobile Home Rent Commission. In attendance at the May 3, 2006 Council meeting were Charles Dillmann and John Liegl. They responded to questions raised by the Council. Unable to attend the interview session was Mr. Robert Graham due to a conflict in scheduling. The three appointments will serve two-year terms expiring June 1, 2008.

Senior Advisory Commission

The Council recently adopted an ordinance that would authorize the creation of a 7-member Senior Advisory Commission. All members of the current Senior Advisory Committee were invited to apply and interview for a Commission appointment. On May 3, the City Council interviewed Betty Ancheta, Susan Fent, Betty Gigliotti, Staten Johnston, Jeannette Riley, Gloria Subocz and William Quenneville. Per the recently adopted ordinance, it is recommended that the Council appoint four (4) individuals to serve one-year terms expiring June 2007, and three (3) individuals to serve two-year terms expiring June 1, 2008.

Following the interviews, each Council Member and the Mayor identified candidates of choice. Mayor Kennedy is taking Council Members' recommended appointments under advisement. Per the "Fundamental Principles for a Recruitment, Interview and Appointment Process," Mayor Kennedy will return to the Council on May 24, 2006 with recommended appointments to the Board and two Commissions; to be followed by Council discussion and ratification of the Mayor's appointments.

FISCAL IMPACT: The time necessary to prepare this report is accommodated in the Council Services and Records Manager's operating budget.